

**Hiwin Technologies Corp.
Handbook for the 2021 Annual
Shareholders' Meeting**

Time: June 28, 2021 (Monday) , 9:00 am

**Place: 4F, No.129, Anhe Rd, Xitun District, Taichung (Taichung
Howard Hotel)**

DISCLAIMER

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2020 ANNUAL GENERALMEETING (THE “HANDBOOK”) OF HIWIN TECHNOLOGIES CORP. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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Hiwin Technologies Corp.

Procedure for the 2021 Annual Shareholders' Meeting

Call the Meeting to Order

Chairperson Remarks

Report on Company Affairs

Adoptions

Proposed Resolutions

Extempore Motions

Meeting Adjourned

Hiwin Technologies Corp.

2021 Annual Shareholders' Meeting

Meeting Agenda

Time: 9:00 a.m. on June 28, 2021 (Monday)

Place: 4F, No.129, Anhe Rd, Xitun District, Taichung (Taichung Howard Hotel)

Call the Meeting to Order

Chairperson Remarks

Report on Company Affairs

1. 2020 Business Report
2. 2020 Audit Committee's Review Report
3. Report on 2020 employees' and directors' compensation
4. Report on Cash Dividends for Distribution of 2020 Earnings

Adoptions

1. Adoption of the 2020 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2020 Earnings

Proposed Resolutions

1. Proposal for a new shares issue through capitalization of retained earnings
2. Amendment to the Company's Articles of Incorporation
3. Amendment to the Operational Procedures for Endorsements and Guarantees
4. Release the Prohibition on Directors from Participation in Competitive Business

Extempore Motions

Meeting Adjourned

Report on Company Affairs

Report No. 1

2020 Business Report, please refer to Chinese version, Appendix 1, P.7 for details.

Report No. 2

2020 Audit Committee's Review Report, please refer to Chinese version, Appendix 2, P.8 and Appendix 3~4, P.9~P.31 for details.

Report No. 3

Report on 2020 employees' and directors' compensation.

Items	Proposed by the Board	Note
Employees' compensation	NTD\$154,385,363	Cash
Directors' compensation	NTD\$77,192,681	

Report No. 4

- (1) According to the Company's Articles of Incorporation with Article 31-1 & 32.
- (2) For the further development of company business, the Company proposed to distribute share dividend NTD\$0.6 per share and dividend NTD\$1.7 per share, total NTD\$2.3per share ; cash dividend NTD\$2.0, Cash dividends are distributed up to yuan, rounded down below yuan, and the total amount of abnormal payments less than one yuan is distributed and included in the company's other income.
- (3) Upon the approval of the Annual Meeting of Shareholders, the chairman is authorized to determine the record date, ex-dividend date, and other relevant issue.

Adoptions

Proposed by the Board

Item 1.

Proposal:

Adoption of the 2020 Business Report and Financial Statements.

Explanation:

- (1) The Company's 2020 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors,, Mr. Rock Tseng and Ms. Amy Wu of Deloitte & Touche. Also Business Report and Financial Statements have been approved by the Board and examined by the audit committee of the Company.
- (2) The 2020 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements could be referred to the Chinese version, Appendix 1, P.7 and Appendix 3&4, P.9~P.31.

Resolution:

Proposed by the Board

Item 2.

Proposal:

Adoption of the Proposal for Distribution of 2020 Earnings.

Explanation:

- (1) Please refer to the Chinese version, Appendix 5, P.32 of the 2020 profit distribution table.
- (2) According to the Company's Articles of Incorporation with Article 31-1 & 32.
- (3) For the further development of company business, the Company proposed to distribute share dividend NTD\$0.6 per share and dividend NTD\$1.7 per share, total NTD\$2.3per share ; cash dividend NTD\$2 per share , total NTD\$661,732,504, and stock dividend NTD\$0.3 per share, total NTD\$99,259,880.

Resolution:

Proposed Resolutions

Proposed by the Board

Item 1.

Proposal:

Proposal for a new share issue through capitalization of retained earnings. Please proceed to discuss.

Explanation:

- (1) The management plans to withdraw NTD\$99,259,880 from distributable earnings to issue dividends stocks (9,925,988 shares), the Company's capital is NTD\$3,407,922,400 (340,792,240 shares) after the capitalization.
- (2) The shares are determined by the shareholding ratio of shareholders. Shareholding of less than one share shall be paid in cash in accordance with Article 240 of the Company Act. Fractional shares will be purchased by people arranged by the chairman authorized by the Board.
- (3) The shareholder rights and obligations of the new shares are the same as those of existing shares.
- (4) After the approval of the Annual Meeting of Shareholders and the competent authority, the new shares will be distributed on a record date determined by the Board.
- (5) The board of directors is authorized to deal with capitalization issues mentioned above if modifications are required by authorities or due to circumstance changes.

Resolution:

Proposed by the Board

Item 2.

Proposal:

Amendment to the Company's Articles of Incorporation. Please proceed to discuss.

Explanation:

In order to conform to the needs of The Company Act and commercial practice, the company hereby proposes to amend the Company's Article of Incorporation. Please refer to Chinese version, Appendix 6, P.33~P.36 for details.

Resolution:

Proposed by the Board

Item 3.

Proposal:

Amendment to the Operational Procedures for Endorsements and Guarantees.
Please proceed to discuss.

Explanation:

In order to follow the rules by the R.O.C. Financial Supervisory Commission and commercial practice, the company hereby proposes to amend the Operational Procedures for Endorsements and Guarantees. Please refer to Chinese version, Appendix 7, P.37~P.38 for details.

Resolution:

Proposed by the Board

Item 4.

Proposal:

Proposal for Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval and is proved by the Audit Committee.
2. In order to take advantage of the expertise of the directors of the company, without prejudice to the interests of the company, it is proposed to lift the restrictions on directors' non-competition, and request the 2021 shareholders meeting to lift the restrictions on director's non-competition.
3. The proposed list for release the prohibition on Directors from participation in competitive business are as follows.

Name	Proposal for Release the Prohibition Position
Chuo, Yung-Tsai	Chairman and Chief Executive Officer of Matrix Precision Co., Ltd. Chairman and Chief Executive Officer of HIWIN Mikrosystem Corp.
Chen, Chin-Tsai	Independent director of Inventec Besta Co., Ltd. Legal representative of Phalanx Biotech Group, Inc. Director of Unicon Optical Co. Ltd.

Resolution:

Extempore Motions

Meeting Adjourned

2020 Business Report

To HIWIN's Shareholders,

In 2020, the Covid-19 pandemic broke out and spread rapidly. The number of confirmed cases worldwide had exceeded 110 million. This has caused a global economic recession and structural changes in the supply chain. All industries are facing tremendous changes. 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 21.262 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.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to Audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earning allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Hiwin Technologies Corporation

Chairman of the Audit Committee : Chiang, Cheng-Ho

March 23, 2021

INDEPENDENT AUDITORS' 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)

ASSETS	2020		2019	
	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	<u>27,562,128</u>	<u>57</u>	<u>23,743,253</u>	<u>49</u>
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)	<u>14,874</u>	<u>-</u>	<u>(7,751)</u>	<u>-</u>
	<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)	<u>(18,176)</u>	<u>-</u>	<u>33,482</u>	<u>-</u>
	<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	\$ 6.05		\$ 5.85	
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)									
	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
			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
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)

INDEPENDENT AUDITORS' REPORT

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)

	Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Other Equity (Note 4)		Total Equity
			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 Income	
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
2020 Earnings Distribution Statement

NTD dollars

Retained earnings in the beginning	13,573,655,272
Retained earnings due to investment adjustments using the equity method	(122,349,956)
Actuarial losses on defined benefit plan	(59,494,000)
Disposal of investment in equity instruments measured at fair value through other comprehensive gains and losses, and the accumulated gains and losses are directly transferred to retained earnings	42,136,066
Net profit after tax for the year	1,929,729,734
Setting aside 10% legal reserve	(179,002,184)
Earnings available for distribution by the end of 2020	15,184,674,932
Distribution Items:	
Share dividend (6%)	(198,519,752)
Dividend (17%)	(562,472,632)
Retained earnings by the end	14,423,682,548