

Hiwin Technologies Corporation

**Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

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, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's financial statements for the year ended December 31, 2022 are described 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 the recognition of 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, 2022, the carrying amount of inventory was \$4,950,982 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 and assessed the related internal controls and procedures on the valuation of inventory.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.
3. We tested the net realizable value of sample inventory items, and checked the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-Tung Wu and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,378,863	10	\$ 2,252,698	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	228	-	2,895	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	75,014	-	172,837	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	1,205,812	3	1,862,292	4
Trade receivables from related parties, net (Notes 4, 9 and 25)	2,514,522	5	4,396,307	10
Inventories (Notes 4, 5 and 10)	4,950,982	11	4,681,275	11
Other current assets (Note 25)	380,418	1	265,732	1
Total current assets	<u>13,505,839</u>	<u>30</u>	<u>13,634,036</u>	<u>31</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	846,591	2	1,466,280	3
Financial assets at amortized cost - non-current (Note 4)	2,873	-	2,890	-
Investments accounted for using the equity method (Notes 4, 11, 22 and 25)	7,409,794	17	5,313,589	12
Property, plant and equipment (Notes 4, 12, 25 and 26)	21,166,992	47	21,339,966	49
Right-of-use assets (Notes 4, 13 and 25)	258,602	1	217,819	1
Deferred tax assets (Notes 4 and 20)	525,605	1	591,444	1
Prepayments for machinery and equipment (Notes 14 and 25)	1,047,669	2	1,372,199	3
Refundable deposits (Note 4)	15,107	-	15,409	-
Other non-current assets (Note 4)	18,110	-	15,547	-
Total non-current assets	<u>31,291,343</u>	<u>70</u>	<u>30,335,143</u>	<u>69</u>
TOTAL	<u>\$ 44,797,182</u>	<u>100</u>	<u>\$ 43,969,179</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 26)	\$ -	-	\$ 1,940,000	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,757	-	2,580	-
Contract liabilities - current (Note 4)	75,527	-	98,949	-
Notes payable	2,591	-	1,665	-
Trade payables to unrelated parties	2,454,193	6	3,647,902	8
Trade payables to related parties (Note 25)	64,342	-	38,003	-
Other payables (Notes 16 and 25)	1,746,870	4	1,614,945	4
Current tax liabilities (Notes 4 and 20)	977,940	2	1,095,211	3
Lease liabilities - current (Notes 4, 13 and 25)	76,304	-	42,523	-
Current portion of long-term borrowings (Notes 15 and 26)	472,893	1	475,347	1
Other current liabilities (Note 4)	48,247	-	52,517	-
Total current liabilities	<u>5,923,664</u>	<u>13</u>	<u>9,009,642</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 26)	2,846,570	6	3,414,781	8
Deferred tax liabilities (Notes 4 and 20)	808,232	2	644,470	2
Lease liabilities - non-current (Notes 4, 13 and 25)	183,416	1	176,331	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	168,915	-	199,187	-
Guarantee deposits	2,750	-	4,600	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	111,971	-	239,485	1
Other non-current liabilities (Note 15)	334	-	398	-
Total non-current liabilities	<u>4,122,188</u>	<u>9</u>	<u>4,679,252</u>	<u>11</u>
Total liabilities	<u>10,045,852</u>	<u>22</u>	<u>13,688,894</u>	<u>31</u>
EQUITY				
Ordinary shares	3,537,923	8	3,407,923	8
Capital surplus	7,479,735	17	5,516,470	13
Retained earnings				
Legal reserve	3,390,134	7	3,071,586	7
Unappropriated earnings	20,069,127	45	17,609,166	40
Other equity	274,411	1	675,140	1
Total equity	<u>34,751,330</u>	<u>78</u>	<u>30,280,285</u>	<u>69</u>
TOTAL	<u>\$ 44,797,182</u>	<u>100</u>	<u>\$ 43,969,179</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4 and 25)	\$ 22,314,862	100	\$ 23,005,899	100
COST OF GOODS SOLD (Notes 10, 19 and 25)	<u>15,026,082</u>	<u>67</u>	<u>15,238,729</u>	<u>66</u>
GROSS PROFIT	7,288,780	33	7,767,170	34
UNREALIZED GAIN (Note 4)	<u>(7,085)</u>	<u>-</u>	<u>(958,715)</u>	<u>(4)</u>
REALIZED GROSS PROFIT	<u>7,281,695</u>	<u>33</u>	<u>6,808,455</u>	<u>30</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	456,838	2	363,754	2
General and administrative expenses	998,488	5	947,127	4
Research and development expenses	<u>938,945</u>	<u>4</u>	<u>795,556</u>	<u>3</u>
Total operating expenses	<u>2,394,271</u>	<u>11</u>	<u>2,106,437</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>4,887,424</u>	<u>22</u>	<u>4,702,018</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidized revenue (Note 4)	28,682	-	52,370	-
Finance costs (Notes 4, 19 and 25)	(57,291)	-	(68,421)	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	446,868	2	(74,078)	-
Interest income (Notes 4 and 25)	36,163	-	9,786	-
Other income (Note 25)	102,406	1	118,643	-
Other expenses	(566)	-	(850)	-
Loss on disposal of property, plant and equipment (Note 4)	(123,744)	(1)	(47,561)	-
Net foreign exchange gain (loss) (Notes 4 and 28)	325,222	1	(156,029)	(1)
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	<u>(20,648)</u>	<u>-</u>	<u>(4,492)</u>	<u>-</u>
Total non-operating income and expenses	<u>737,092</u>	<u>3</u>	<u>(170,632)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	5,624,516	25	4,531,386	20
INCOME TAX EXPENSE (Notes 4 and 20)	<u>1,145,135</u>	<u>5</u>	<u>999,156</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,479,381</u>	<u>20</u>	<u>3,532,230</u>	<u>16</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 19,618	-	\$ 8,230	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	(619,689)	(3)	541,302	2
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	7,860	-	(2,372)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	(3,924)	-	(1,646)	-
	<u>(596,135)</u>	<u>(3)</u>	<u>545,514</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	273,635	1	(327,790)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	52	-	(566)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	(54,727)	-	65,558	-
	<u>218,960</u>	<u>1</u>	<u>(262,798)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(377,175)</u>	<u>(2)</u>	<u>282,716</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,102,206</u>	<u>18</u>	<u>\$ 3,814,946</u>	<u>17</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 12.98</u>		<u>\$ 10.36</u>	
Diluted	<u>\$ 12.89</u>		<u>\$ 10.33</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Ordinary Shares (Note 18)	Capital Surplus (Notes 18 and 22)	Retained Earnings (Notes 18 and 22)		Other Equity (Note 4)		Total Equity
			Legal 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, 2021	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128
Appropriation of 2020 earnings							
Legal reserve	-	-	179,002	(179,002)	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	(661,733)	-	-	(661,733)
Share dividends - NT\$0.3 per share	99,260	-	-	(99,260)	-	-	-
	99,260	-	179,002	(939,995)	-	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	(84,098)	-	(350,958)	-	-	(435,056)
Net profit for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946
BALANCE AT DECEMBER 31, 2021	3,407,923	5,516,470	3,071,586	17,609,166	(599,662)	1,274,802	30,280,285
Appropriation of 2021 earnings							
Legal reserve	-	-	318,548	(318,548)	-	-	-
Cash dividends - NT\$4.5 per share	-	-	-	(1,533,565)	-	-	(1,533,565)
	-	-	318,548	(1,852,113)	-	-	(1,533,565)
Issuance of ordinary shares for cash	130,000	1,945,000	-	-	-	-	2,075,000
Share-based payments arrangements	-	18,265	-	-	-	-	18,265
Changes in percentage of ownership interests in subsidiaries	-	-	-	(190,861)	-	-	(190,861)
Net profit for the year ended December 31, 2022	-	-	-	4,479,381	-	-	4,479,381
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	23,554	218,960	(619,689)	(377,175)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	4,502,935	218,960	(619,689)	4,102,206
BALANCE AT DECEMBER 31, 2022	\$ 3,537,923	\$ 7,479,735	\$ 3,390,134	\$ 20,069,127	\$ (380,702)	\$ 655,113	\$ 34,751,330

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,624,516	\$ 4,531,386
Adjustments for:		
Depreciation expenses	1,662,741	1,649,169
Amortization expenses	2,853	3,892
Expected credit loss recognized (reversed) on trade receivables	(1,840)	863
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	4,529	(315)
Finance costs	57,291	68,421
Interest income	(36,163)	(9,786)
Dividend income	(9,531)	(31,499)
Share-based compensation	18,265	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(446,868)	74,078
Loss on disposal of property, plant and equipment	123,744	47,561
Impairment loss recognized on non-financial assets	15,346	95,654
Unrealized gains	7,085	958,715
Unrealized foreign currency exchange loss (gain), net	(64,020)	27,560
Others	(1,314)	(956)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	315	(7,199)
Notes receivable	99,569	(122,563)
Trade receivables	2,610,811	(222,367)
Inventories	(63,102)	(891,445)
Other current assets	(99,970)	206,912
Contract liabilities	(23,422)	78,552
Notes payable	926	(7,097)
Trade payables	(1,175,802)	622,743
Other payables	130,553	470,285
Other current liabilities	(4,270)	7,507
Net defined benefit liabilities	(10,654)	(55,830)
Cash generated from operations	8,421,588	7,494,241
Interest received	35,962	9,758
Dividend received	9,531	31,499
Interest paid	(56,516)	(69,184)
Income tax paid	(1,105,971)	(267,297)
Net cash generated from operating activities	<u>7,304,594</u>	<u>7,199,017</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of financial assets at fair value through other comprehensive income	-	19,256
Payments for property, plant and equipment	(934,267)	(538,794)
Proceeds from disposal of property, plant and equipment	22,665	1,610

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Decrease (increase) in refundable deposits	\$ 302	\$ (5,024)
Decrease (increase) in other non-current assets	(5,611)	124,851
Increase in prepayments for machinery and equipment	<u>(522,728)</u>	<u>(680,433)</u>
Net cash used in investing activities	<u>(1,439,639)</u>	<u>(1,078,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,940,000)	(40,000)
Proceeds from long-term borrowings	2,000	200,000
Repayments of long-term borrowings	(572,777)	(2,266,701)
Increase (decrease) in guarantee deposit received	(1,850)	3,616
Repayment of the principal portion of lease liabilities	(74,348)	(61,275)
Dividends paid	(1,533,565)	(661,733)
Proceeds from issuance of ordinary shares	2,075,000	-
Acquisition of additional shares of subsidiary	<u>(1,693,250)</u>	<u>(2,374,814)</u>
Net cash used in financing activities	<u>(3,738,790)</u>	<u>(5,200,907)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,126,165	919,576
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,252,698</u>	<u>1,333,122</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,378,863</u>	<u>\$ 2,252,698</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, 2022 AND 2021 (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 obtained approval from 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 February 24, 2023.

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 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of the above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- 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)
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the 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 as 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 or those 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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling and the cost are recognized in profit or loss. 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 assets 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 assets 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 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.

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 investments in equity instruments at FVTOCI.

i. Financial asset at FVTPL

A financial asset is classified as at FVTPL when such a 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 24.

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 360 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, and its carrying amounts are calculated based on weighted average by share types. 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 24.

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.

l. 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. Leases

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 services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) 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. Rereasurement, 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. Rereasurement 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

According to the Income Tax Act 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 on 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 possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 1,749	\$ 1,167
Checking accounts and demand deposits	3,896,128	1,885,766
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>480,986</u>	<u>365,765</u>
	<u>\$ 4,378,863</u>	<u>\$ 2,252,698</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-1.05	0.00-0.35
Time deposits (investments with original maturities of 3 months or less)	1.05-4.20	1.22-2.66

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, 2022</u>			
Sell	EUR/NTD	2023.1.19-2023.3.31	EUR4,800/NTD153,578
Sell	RMB/NTD	2023.1.17-2023.3.24	CNY40,000/NTD175,395
Sell	USD/NTD	2023.1.19-2023.2.24	USD2,400/NTD73,376
 <u>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	CNY165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873

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

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

	<u>December 31</u>	
	2022	2021
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 660,129	\$ 1,076,401
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	182,812	386,799
Taichung International Country Club	3,650	3,080
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	-
	<u>\$ 846,591</u>	<u>\$ 1,466,280</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 August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated in August 2021 for net proceeds of US\$804 thousand.

Ever Fortune's shares have been listed on the Emerging Stock Market in September 2021.

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.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 75,014	\$ 174,583
Less: Allowance for impairment loss	-	(1,746)
	<u>\$ 75,014</u>	<u>\$ 172,837</u>

	December 31	
	2022	2021
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,720,334	\$ 6,258,693
Less: Allowance for impairment loss	<u>-</u>	<u>(94)</u>
	<u>\$ 3,720,334</u>	<u>\$ 6,258,599</u>

a. Notes receivable

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

	December 31	
	2022	2021
Not past due	\$ 75,014	\$ 174,583
Past due	<u>-</u>	<u>-</u>
	<u>\$ 75,014</u>	<u>\$ 174,583</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 using a provision matrix prepared 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, 2022</u>					
Gross carrying amount	\$ 3,302,910	\$ 417,424	\$ -	\$ -	\$ 3,720,334
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 3,302,910</u>	<u>\$ 417,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,720,334</u>
<u>December 31, 2021</u>					
Gross carrying amount	\$ 5,776,406	\$ 482,287	\$ -	\$ -	\$ 6,258,693
Loss allowance (Lifetime ECL)	<u>(18)</u>	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>(94)</u>
Amortized cost	<u>\$ 5,776,388</u>	<u>\$ 482,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,258,599</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2022	
	Notes Receivable	Trade Receivables
Balance at January 1, 2022	\$ 1,746	\$ 94
Net remeasurement of loss allowance	<u>(1,746)</u>	<u>(94)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>
	For the Year Ended December 31, 2021	
	Notes Receivable	Trade Receivables
Balance at January 1, 2021	\$ 520	\$ 457
Net remeasurement of loss allowance	<u>1,226</u>	<u>(363)</u>
Balance at December 31, 2021	<u>\$ 1,746</u>	<u>\$ 94</u>

10. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 972	\$ 2,893
Finished goods	879,450	761,794
Work in process	945,642	1,475,002
Raw materials and supplies	2,850,197	2,128,236
Inventory in transit	<u>274,721</u>	<u>313,350</u>
	<u>\$ 4,950,982</u>	<u>\$ 4,681,275</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$15,026,082 thousand and \$15,238,729 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$15,346 thousand and \$95,654 thousand, respectively, and unallocated fixed overhead of \$215,737 thousand and \$120,420 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 7,164,752	\$ 5,128,872
Investments in associates	<u>245,042</u>	<u>184,717</u>
	<u>\$ 7,409,794</u>	<u>\$ 5,313,589</u>

a. Investments in subsidiaries

	December 31	
	2022	2021
Hiwin GmbH (“Hiwin Germany”)	\$ 2,019,545	\$ 1,683,515
Hiwin Corporation, U.S.A. (“Hiwin USA”)	893,296	715,336
Hiwin Corporation, Japan (“Hiwin Japan”)	(9,156)	44,350
Eterbright Solar Corporation (“Eterbright”)	990,966	(123,039)
Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	53,389	19,104
Hiwin Corporation (“Hiwin Korea”)	(102,815)	(66,630)
Hiwin Technologies (China) Corporation (“Hiwin China”)	2,256,997	1,826,457
Matrix Precision Co., Ltd. (“Matrix Precision”)	270,693	384,280
Hiwin Healthcare Corp.	2,836	2,585
Hiwin S.R.L. (“Hiwin Italy”)	108,189	(49,816)
Matrix Machine Tool (Coventry) Limited (“Matrix”)	302,094	273,715
Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	<u>266,747</u>	<u>179,530</u>
	7,052,781	4,889,387
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	<u>111,971</u>	<u>239,485</u>
	<u>\$ 7,164,752</u>	<u>\$ 5,128,872</u>

Proportion of Ownership and Voting Rights

<u>Name of subsidiary</u>	December 31	
	2022	2021
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright (Note 22)	89%	85%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision (Note 22)	50%	50%
Hiwin Healthcare Corp.	100%	100%

(Continued)

<u>Name of subsidiary</u>	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Hiwin Italy	100%	100%
Matrix	100%	100%
Hiwin Schweiz	81%	81%
		(Concluded)

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 245,042</u>	<u>\$ 184,717</u>
	For the Year Ended December 31	
	2022	2021
The Company's share of:		
Profit for the year	\$ 65,556	\$ 29,745
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 65,556</u>	<u>\$ 29,745</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, 2022 and 2021 were calculated based on the financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,890,629	\$ -	\$ -	\$ -	\$ 3,890,629
Buildings and improvements	11,469,752	17,350	(216,959)	155,347	11,425,490
Machinery and equipment	11,767,140	222,508	(663,936)	796,072	12,121,784
Transportation equipment	81,202	565	(3,945)	-	77,822
Miscellaneous equipment	1,681,219	120,760	(166,405)	50,229	1,685,803
Construction in progress	140,576	573,793	-	(154,390)	559,979
	<u>29,030,518</u>	<u>\$ 934,976</u>	<u>\$ (1,051,245)</u>	<u>\$ 847,258</u>	<u>29,761,507</u>
					(Continued)

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Accumulated depreciation</u>					
Buildings and improvements	\$ 1,770,442	\$ 240,651	\$ (102,192)	\$ -	\$ 1,908,901
Machinery and equipment	4,904,160	1,375,212	(648,247)	-	5,631,125
Transportation equipment	30,333	12,873	(3,945)	-	39,261
Miscellaneous equipment	<u>985,617</u>	<u>180,063</u>	<u>(150,452)</u>	-	<u>1,015,228</u>
	<u>7,690,552</u>	<u>\$ 1,808,799</u>	<u>\$ (904,836)</u>	<u>\$ -</u>	<u>8,594,515</u>
	<u>\$ 21,339,966</u>				<u>\$ 21,166,992</u> (Concluded)

	For the Year Ended December 31, 2021				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,890,629	\$ -	\$ -	\$ -	\$ 3,890,629
Buildings and improvements	11,321,802	21,773	(92)	126,269	11,469,752
Machinery and equipment	11,812,851	209,199	(1,219,674)	964,764	11,767,140
Transportation equipment	60,682	1,857	(11,346)	30,009	81,202
Miscellaneous equipment	1,851,021	83,226	(265,249)	12,221	1,681,219
Construction in progress	<u>34,444</u>	<u>217,193</u>	-	<u>(111,061)</u>	<u>140,576</u>
	<u>28,971,429</u>	<u>\$ 533,248</u>	<u>\$ (1,496,361)</u>	<u>\$ 1,022,202</u>	<u>29,030,518</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,530,504	\$ 240,030	\$ (92)	\$ -	1,770,442
Machinery and equipment	4,736,599	1,344,779	(1,177,218)	-	4,904,160
Transportation equipment	31,109	10,570	(11,346)	-	30,333
Miscellaneous equipment	<u>1,043,455</u>	<u>200,696</u>	<u>(258,534)</u>	-	<u>985,617</u>
	<u>7,341,667</u>	<u>\$ 1,796,075</u>	<u>\$ (1,447,190)</u>	<u>\$ -</u>	<u>7,690,552</u>
	<u>\$ 21,629,762</u>				<u>\$ 21,339,966</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	28-55 years
Electrical power equipment	35 years
Engineering system	8-20 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	1-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Land	\$ 114,607	\$ 122,323
Buildings	<u>143,995</u>	<u>95,496</u>
	<u>\$ 258,602</u>	<u>\$ 217,819</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 116,481</u>	<u>\$ 44,071</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,186	\$ 8,155
Buildings	<u>67,512</u>	<u>54,346</u>
	<u>\$ 75,698</u>	<u>\$ 62,501</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Current	<u>\$ 76,304</u>	<u>\$ 42,523</u>
Non-current	<u>\$ 183,416</u>	<u>\$ 176,331</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
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 2 to 20 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	
	2022	2021
Expenses relating to short-term leases	\$ 1,058	\$ 604
Expenses relating to low-value asset leases	\$ 2,441	\$ 2,242
Total cash outflow for leases	<u>\$ (81,691)</u>	<u>\$ (67,603)</u>

The Company's leases of certain equipment qualify as short-term leases and low-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	
	2022	2021
Within 1 year	\$ 330,216	\$ 505,447
1-2 years	234,461	148,769
2-5 years	374,923	643,629
More than 5 years	<u>108,069</u>	<u>74,354</u>
	<u>\$ 1,047,669</u>	<u>\$ 1,372,199</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	
	2022	2021
<u>Secured borrowings (Note 26)</u>		
Loans for export sales	\$ -	\$ 940,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>-</u>	<u>1,000,000</u>
	<u>\$ -</u>	<u>\$ 1,940,000</u>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	-	0.61
Line of credit borrowings	-	0.71-0.80

b. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings</u> (Note 26)		
Secured loans	\$ 3,316,590	\$ 3,687,269
<u>Unsecured borrowings</u>		
Unsecured loans	<u>2,873</u>	<u>202,859</u>
	3,319,463	3,890,128
Less: Current portion	<u>(472,893)</u>	<u>(475,347)</u>
Long-term borrowings	<u>\$ 2,846,570</u>	<u>\$ 3,414,781</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.02-1.91	0.36-1.17
Unsecured loans	1.07	0.70-0.93

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 borrowings. As of December 31, 2022, \$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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Payables for salaries and bonuses	\$ 780,157	\$ 772,800
Payables for compensation of employees	381,681	297,411
Payables for remuneration of directors	190,841	148,706
Payables for annual leave	124,874	127,342
Payables for purchases of building and equipment	16,702	15,993
Others	<u>252,615</u>	<u>252,693</u>
	<u>\$ 1,746,870</u>	<u>\$ 1,614,945</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 Act 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	
	2022	2021
Present value of defined benefit obligation	\$ 321,822	\$ 353,684
Fair value of plan assets	<u>(152,907)</u>	<u>(154,497)</u>
Net defined benefit liabilities	<u>\$ 168,915</u>	<u>\$ 199,187</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 353,684</u>	<u>\$ (154,497)</u>	<u>\$ 199,187</u>
Service cost			
Current service cost	1,486	-	1,486
Past service cost	-	-	-
Net interest expense (income)	<u>2,448</u>	<u>(1,074)</u>	<u>1,374</u>
Recognized in profit or loss	<u>3,934</u>	<u>(1,074)</u>	<u>2,860</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,197)	(11,197)
Actuarial loss - changes in demographic assumptions	660	-	660
Actuarial gain - changes in financial assumptions	(7,406)	-	(7,406)
Actuarial gain - experience adjustments	<u>(1,675)</u>	<u>-</u>	<u>(1,675)</u>
Recognized in other comprehensive income	<u>(8,421)</u>	<u>(11,197)</u>	<u>(19,618)</u>
Contributions from the employer	-	(13,514)	(13,514)
Benefits paid	<u>(27,375)</u>	<u>27,375</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 321,822</u>	<u>\$ (152,907)</u>	<u>\$ 168,915</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 373,605	\$ (110,358)	\$ 263,247
Service cost			
Current service cost	1,963	-	1,963
Past service cost	(411)	-	(411)
Net interest expense (income)	<u>1,293</u>	<u>(382)</u>	<u>911</u>
Recognized in profit or loss	<u>2,845</u>	<u>(382)</u>	<u>2,463</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,691)	(1,691)
Actuarial loss - changes in demographic assumptions	1,180	-	1,180
Actuarial gain - changes in financial assumptions	(13,040)	-	(13,040)
Actuarial loss - experience adjustments	<u>5,321</u>	<u>-</u>	<u>5,321</u>
Recognized in other comprehensive income	<u>(6,539)</u>	<u>(1,691)</u>	<u>(8,230)</u>
Contributions from the employer	-	(58,293)	(58,293)
Benefits paid	<u>(16,227)</u>	<u>16,227</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 353,684</u>	<u>\$ (154,497)</u>	<u>\$ 199,187</u>

Through the defined benefit plans under the Labor Standards Act, 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	
	2022	2021
Discount rates	1.05%	0.70%
Expected rates of salary increase	2.00%	2.00%

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	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (5,114)</u>	<u>\$ (9,043)</u>
0.25% decrease	<u>\$ 5,290</u>	<u>\$ 9,377</u>
Expected rate of salary increase/decrease		
0.25% increase	<u>\$ 5,445</u>	<u>\$ 9,232</u>
0.25% decrease	<u>\$ (4,861)</u>	<u>\$ (8,952)</u>

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	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 13,513</u>	<u>\$ 5,894</u>
Average duration of the defined benefit obligation	11.5 years	10 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>353,792</u>	<u>340,792</u>
Shares issued	<u>\$ 3,537,923</u>	<u>\$ 3,407,923</u>

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

On May 10, 2022, the Company's board of directors resolved to issue 13,000 thousand ordinary shares, with a par value of \$10, for a consideration of \$160 per share. On June 24, 2022, the above transaction was approved by the SFB and FSC and the subscription base date set August 30, 2022 as determined by the board of directors.

According to the Company Act, the issuance of ordinary shares shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS 2 "Share-based Payment", the Company recognized salary expense and capital surplus amounted to \$18,265 thousand in 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 7,469,101	\$ 5,509,020
Invalid employee shares	<u>10,634</u>	<u>7,450</u>
	<u>\$ 7,479,735</u>	<u>\$ 5,516,470</u>

Note: 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).

c. Retained earnings and dividends policy

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 earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve	\$ 318,548	\$ 179,002		
Cash dividends	1,533,565	661,733	\$ 4.5	\$ 2
Share dividends	-	99,260	-	0.3

The appropriations of cash dividends for 2021 and 2020 had been proposed by the board of directors on February 25, 2022 and March 23, 2021, respectively, the other appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 27, 2022 and July 26, 2021, respectively.

The appropriation of earnings for 2022 had been proposed by the Company's board of directors on February 24, 2023, was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 431,207	
Cash dividends	1,945,857	\$ 5.5

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in their meeting to be held on May 31, 2023.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on bank loans	\$ 53,447	\$ 64,939
Interest on lease liabilities	<u>3,844</u>	<u>3,482</u>
	<u>\$ 57,291</u>	<u>\$ 68,421</u>

Information about capitalized interest is as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Capitalized interest	\$ 8,545	\$ 5,769
Capitalization rates (%)	1.10-1.72	1.10-1.20

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Short-term employee benefits			
Salary	\$ 3,025,034	\$ 1,198,943	\$ 4,223,977
Labor and health insurance	294,181	76,870	371,051
Post-employment benefits			
Defined contribution plans	124,317	36,974	161,291
Defined benefit plans (Note 17)	2,627	233	2,860
Remuneration of directors	-	199,901	199,901
Other employee benefits	152,178	44,925	197,103
Depreciation expenses	1,487,614	175,127	1,662,741
Amortization expenses	1,939	914	2,853

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits			
Salary	\$ 3,268,443	\$ 997,747	\$ 4,266,190
Labor and health insurance	286,431	70,895	357,326
Post-employment benefits			
Defined contribution plans	122,811	32,951	155,762
Defined benefit plans (Note 17)	2,276	187	2,463
Remuneration of directors	-	150,146	150,146
Other employee benefits	138,004	32,086	170,090
Depreciation expenses	1,453,971	195,198	1,649,169
Amortization expenses	2,847	1,045	3,892

For the years ended December 31, 2022 and 2021, the Company had an average of 4,782 and 4,766 employees, respectively. There were 7 directors and 6 directors who did not serve concurrently as employees, respectively. The headcounts were based on those used in the calculation of employee benefit expense.

For the years ended December 31, 2022 and 2021, the average of employee benefits expense was \$1,038 thousand and \$1,040 thousand, respectively, and the average of employee salaries was \$885 thousand and \$896 thousand, respectively, and the change in the average employee salaries was -1%.

The Company did not have any supervisors for the years ended December 31, 2022 and 2021; therefore, there is no remuneration for supervisors.

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. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on February 24, 2023 and February 25, 2022, respectively, were as follows:

Cash	For the Year Ended December 31			
	2022		2021	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	6.2%	\$ 381,681	6.0%	\$ 297,411
Remuneration of directors	3.1%	190,841	3.0%	148,706

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, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors 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	
	2022	2021
Current tax		
In respect of the current year	\$ 900,485	\$ 1,070,862
Income tax on unappropriated earnings	66,553	28,293
Adjustments for prior years	7,147	4,168
Deferred tax		
In respect of the current year	<u>170,950</u>	<u>(104,167)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,145,135</u>	<u>\$ 999,156</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 1,124,903	\$ 906,277
Non-deductible expenses in determining taxable income	1,222	420
Others	(4,037)	(8,740)
Income tax on unappropriated earnings	84,217	48,785
Investment tax credits used	<u>(127,265)</u>	<u>(108,461)</u>
Current tax	1,079,040	838,281
Unrecognized deductible temporary differences	58,948	156,707
Adjustments for prior years' tax	<u>7,147</u>	<u>4,168</u>
Income tax expense recognized in profit or loss	<u>\$ 1,145,135</u>	<u>\$ 999,156</u>

b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 54,727	\$ (65,558)
Remeasurement of defined benefit plans	<u>3,924</u>	<u>1,646</u>
	<u>\$ 58,651</u>	<u>\$ (63,912)</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 289,703	\$ 1,417	\$ -	\$ 291,120
Defined benefit obligations	23,077	-	(3,924)	19,153
Allowance for inventory devaluation	82,531	3,069	-	85,600
Impairment loss on financial assets	4,071	-	-	4,071
Payables for annual leave	25,468	(493)	-	24,975
Financial liabilities at FVTPL	-	906	-	906
Provisions	4,553	88	-	4,641
Exchange differences on foreign operations	149,838	-	(54,727)	95,111
Unrealized loss on foreign currency exchange	5,330	(5,330)	-	-
Others	<u>6,873</u>	<u>(6,845)</u>	<u>-</u>	<u>28</u>
	<u>\$ 591,444</u>	<u>\$ (7,188)</u>	<u>\$ (58,651)</u>	<u>\$ 525,605</u>

For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 635,153	\$ 148,322	\$ -	\$ 783,475
Gain from bargain purchase	9,254	-	-	9,254
Unrealized gain on foreign currency exchange	-	15,503	-	15,503
Financial assets at FVTPL	<u>63</u>	<u>(63)</u>	<u>-</u>	<u>-</u>
	<u>\$ 644,470</u>	<u>\$ 163,762</u>	<u>\$ -</u>	<u>\$ 808,232</u>

For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 97,960	\$ 191,743	\$ -	\$ 289,703
Defined benefit obligations	24,723	-	(1,646)	23,077
Allowance for inventory devaluation	63,400	19,131	-	82,531
Impairment loss on financial assets	4,071	-	-	4,071
Payables for annual leave	21,395	4,073	-	25,468
Financial liabilities at FVTPL	1,440	(1,440)	-	-
Provisions	3,192	1,361	-	4,553
Exchange differences on foreign operations	84,280	-	65,558	149,838
Unrealized loss on foreign currency exchange	-	5,330	-	5,330
Others	<u>31</u>	<u>6,842</u>	<u>-</u>	<u>6,873</u>
	<u>\$ 300,492</u>	<u>\$ 227,040</u>	<u>\$ 63,912</u>	<u>\$ 591,444</u>

For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 491,005	\$ 144,148	\$ -	\$ 635,153
Gain from bargain purchase	9,254	-	-	9,254
Unrealized gain on foreign currency exchange	21,338	(21,338)	-	-
Financial assets at FVTPL	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
	<u>\$ 521,597</u>	<u>\$ 122,873</u>	<u>\$ -</u>	<u>\$ 644,470</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investment loss	<u>\$ 3,384,874</u>	<u>\$ 3,090,137</u>

- e. Income tax assessments

The tax returns of the Company through 2020 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, 2022</u>			
Basic earnings per share			
Profit for the year	\$ 4,479,381	345,209	<u>\$12.98</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>2,258</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 4,479,381</u>	<u>347,467</u>	<u>\$12.89</u>
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year	\$ 3,532,230	340,792	<u>\$10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,053</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$10.33</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. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On December 30, 2022, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 85% to 89%, and recognized a decrease of \$190,861 thousand in retained earnings.

On June 24, 2021 and December 30, 2021, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

On January 8, 2021 and May 10, 2021, the Company subscribed for additional new shares of Matrix Precision at a percentage different from its existing ownership percentage, thereby decreasing its continuing interest from 51% to 50%, and recognized \$1,959 thousand in capital surplus.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

23. 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.

24. 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

<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>2022</u>	<u>2021</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 228	\$ 2,895
Financial assets at amortized cost (1)	8,192,191	8,702,433
Financial assets at FVTOCI		
Equity instruments	846,591	1,466,280
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	4,757	2,580
Financial liabilities at amortized cost (2)	7,590,209	11,137,243

- 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 28.

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, 2022 and 2021 would have decreased by \$38,507 thousand and \$54,065 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	
	2022	2021
Fair value interest rate risk		
Deposits in bank	\$ 480,986	\$ 365,765
Lease liabilities	259,720	218,854
Cash flow interest rate risk		
Deposits in bank	3,798,319	1,662,010
Short-term borrowings	-	1,940,000
Long-term borrowings	3,319,463	3,890,128

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, 2022 and 2021 would have increased by \$3,831 thousand and decreased by \$33,345 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 both 65% of the total trade receivables as of December 31, 2022 and 2021.

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, 2022 and 2021, the Company had available unutilized bank loan facilities of \$10,572,056 thousand and \$8,171,041 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, 2022</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,267,996	\$ -	\$ -
Lease liabilities	80,238	113,404	81,924
Variable interest rate liabilities	<u>472,893</u>	<u>1,705,584</u>	<u>1,140,986</u>
	<u>\$ 4,821,127</u>	<u>\$ 1,818,988</u>	<u>\$ 1,222,910</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 5,302,515	\$ -	\$ -
Lease liabilities	46,101	94,510	95,142
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,519,187</u>
	<u>\$ 7,763,963</u>	<u>\$ 1,990,104</u>	<u>\$ 1,614,329</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ -</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
<u>December 31, 2022</u>				
Lease liabilities	\$ 80,238	\$ 113,404	\$ 45,513	\$ 36,411
Variable interest rate liabilities	<u>472,893</u>	<u>1,705,584</u>	<u>1,034,055</u>	<u>106,931</u>
	<u>\$ 553,131</u>	<u>\$ 1,818,988</u>	<u>\$ 1,079,568</u>	<u>\$ 143,342</u>
<u>December 31, 2021</u>				
Lease liabilities	\$ 46,101	\$ 94,510	\$ 49,485	\$ 45,657
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,196,552</u>	<u>322,635</u>
	<u>\$ 2,461,448</u>	<u>\$ 1,990,104</u>	<u>\$ 1,246,037</u>	<u>\$ 368,292</u>

25. 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

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hiwin Germany	Subsidiary
Hiwin USA	Subsidiary
Hiwin Japan	Subsidiary
Eterbright	Subsidiary
Hiwin Singapore	Subsidiary
Hiwin Korea	Subsidiary
Hiwin China	Subsidiary
Matrix Precision	Subsidiary
Hiwin Healthcare Corp.	Subsidiary
Hiwin Italy	Subsidiary
Matrix	Subsidiary
Hiwin Schweiz	Subsidiary
Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sub-subsubsidiary
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

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	2022	2021
1) Sales of goods		
Hiwin China	\$ 4,345,534	\$ 4,323,908
Subsidiaries	4,502,756	5,199,382
Other related parties	<u>99,248</u>	<u>103,109</u>
	<u>\$ 8,947,538</u>	<u>\$ 9,626,399</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>	
	2022	2021
2) Purchases of goods		
Other related parties	\$ 191,329	\$ 172,926
Subsidiaries	18,326	19,584
Sub-subsidiaries	<u>32</u>	<u>-</u>
	<u>\$ 209,687</u>	<u>\$ 192,510</u>

The products purchased from related parties and those from third parties are not the same, therefore, their prices are not comparable.

	<u>For the Year Ended December 31</u>	
	2022	2021
3) Other operating transactions		
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 9,526</u>	<u>\$ 2,829</u>
Non-operating income - other income		
Subsidiaries	\$ 53,736	\$ 57,292
Other related parties	<u>1,086</u>	<u>413</u>
	<u>\$ 54,822</u>	<u>\$ 57,705</u>
Manufacturing and operating expenses		
Subsidiaries	\$ 11,019	\$ 8,656
Other related parties	<u>48,641</u>	<u>9,619</u>
	<u>\$ 59,660</u>	<u>\$ 18,275</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 4,000</u>	<u>\$ 13,000</u>

	December 31	
	2022	2021
4) Trade receivables		
Hiwin China	\$ 698,995	\$ 1,686,443
Hiwin Japan	515,387	568,908
Hiwin Italy	489,973	713,740
Hiwin Germany	421,275	976,788
Subsidiaries	<u>388,892</u>	<u>450,428</u>
	<u>\$ 2,514,522</u>	<u>\$ 4,396,307</u>
5) Other receivables (classified as other current assets)		
Subsidiaries	<u>\$ 3,566</u>	<u>\$ 5,814</u>
6) Trade payables		
Other related parties	\$ 56,835	\$ 28,256
Subsidiaries	<u>7,507</u>	<u>9,747</u>
	<u>\$ 64,342</u>	<u>\$ 38,003</u>
7) Other payables		
Other related parties	\$ 4,810	\$ 659
Subsidiaries	<u>2,565</u>	<u>191</u>
	<u>\$ 7,375</u>	<u>\$ 850</u>
8) Prepayments for machinery and equipment		
Subsidiaries	<u>\$ 33,074</u>	<u>\$ 44,479</u>
c. Loans to related parties		
	December 31	
	2022	2021
<u>Other receivables (classified as other current assets)</u>		
Hiwin Japan	<u>\$ 212,693</u>	<u>\$ 32,187</u>
	For the Year Ended December 31	
	2022	2021
<u>Interest income</u>		
Subsidiaries	<u>\$ 1,533</u>	<u>\$ 2,139</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	
	2022	2021
Subsidiaries	\$ 36,566	\$ 28,658
Other related parties	<u>1,566</u>	<u>2,100</u>
	<u>\$ 38,132</u>	<u>\$ 30,758</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	
	2022	2021
<u>Acquisition of right-of-use assets</u>		
Other related parties	<u>\$ 31,246</u>	<u>\$ 18,533</u>
	December 31	
	2022	2021

Lease liabilities

Other related parties	<u>\$ 26,746</u>	<u>\$ 12,942</u>
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Finance costs

Other related parties	<u>\$ 445</u>	<u>\$ 209</u>
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f. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries given by the Company as of December 31, 2022, is disclosed in Table 2.

g. Acquisition of additional interests in related parties

	For the Year Ended December 31	
	2022	2021
Eterbright	\$ 1,599,000	\$ 1,740,112
Matrix Precision	-	419,420
Subsidiaries	<u>94,250</u>	<u>215,282</u>
	<u>\$ 1,693,250</u>	<u>\$ 2,374,814</u>

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 300,370	\$ 247,582
Post-employment benefits	542	542
Share-based payments	<u>927</u>	<u>-</u>
	<u>\$ 301,839</u>	<u>\$ 248,124</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

26. 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	
	2022	2021
Property, plant and equipment	<u>\$ 15,318,423</u>	<u>\$ 15,649,930</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$100,112 thousand and \$228,832 thousand, respectively.
- b. As of December 31, 2022 and 2021, commitment for acquisition of property, plant and equipment amounted to \$3,074,985 thousand and \$1,001,422 thousand, respectively.

28. 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 the foreign currencies and the respective functional currencies are as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 34,577	30.710	\$1,061,873	\$ 34,352	27.680	\$ 950,861
EUR	39,068	32.72	1,278,317	64,184	31.32	2,010,258
JPY	3,766,485	0.2324	875,331	2,904,559	0.2405	698,546
RMB	441,333	4.408	1,945,395	812,416	4.344	3,529,135

(Continued)

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Non-monetary items						
USD	\$ 34,593	30.710	\$1,062,360	\$ 29,859	27.680	\$ 826,491
EUR	89,873	32.72	2,940,642	76,481	31.32	2,395,395
ILS	24,542	8.647	212,213	16,961	8.955	151,888
RMB	570,806	4.408	2,516,115	501,930	4.344	2,180,386
JPY	310,096	0.2324	72,066	495,621	0.2405	119,197
GBP	6,802	37.09	252,294	6,134	37.30	228,787
CHF	9,221	33.21	306,213	7,886	30.18	237,999
SGD	3,194	22.88	73,077	2,004	20.46	40,993
						(Concluded)

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 3,490	30.710	\$ 107,165	\$ 6,593	27.680	\$ 182,495
EUR	2,664	32.72	87,161	3,197	31.32	100,143
JPY	630,770	0.2324	146,591	561,200	0.2405	134,969
RMB	1,490	4.408	6,566	3,014	4.344	13,093
Non-monetary items						
KRW	2,702,409	0.02457	66,398	984,072	0.0235	23,126

The significant (realized and unrealized) foreign exchange gain (loss) were as follows:

	For the Year Ended December 31				
	2022			2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
USD	29.805	\$ 106,716	28.009	\$ (10,499)	
JPY	0.2275	(2,558)	0.2554	(49,666)	
EUR	31.36	87,713	33.16	(99,892)	
RMB	4.422	<u>131,921</u>	4.341	<u>6,535</u>	
		<u>\$ (323,792)</u>		<u>\$ (153,522)</u>	

29. 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 or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
 - 6) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 7) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 8) Trading in derivative instruments. (Notes 7 and 24)
 - 9) 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. (Table 6)
 - 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)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	\$ 225,012	\$ 212,693	\$ 212,693	1.9133%	1	Sales \$801,653	-	\$ -	-	\$ -	\$ 5,212,700	\$ 10,425,399

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 2 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.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 (Notes 1 and 2)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 4 and 5)	Actual Amount Borrowed (Note 5)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	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	\$ 3,475,133	\$ 75,240 (GBP 2,000)	\$ 74,180 (GBP 2,000)	\$ -	\$ -	0.2	\$ 12,162,966	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	3,475,133	922,704 (EUR 28,200)	922,704 (EUR 28,200)	245,852 (EUR 7,514)	-	2.7	12,162,966	Yes	-	-
0	The Company	Eterbright	Subsidiary	3,475,133	1,950,000	-	-	-	-	12,162,966	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	3,475,133	193,290 (USD 6,000)	184,260 (USD 6,000)	-	-	0.5	12,162,966	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	3,475,133	386,580 (USD 12,000)	368,520 (USD 12,000)	133,589 (USD 4,350)	-	1.1	12,162,966	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	3,475,133	2,958,108 (JPY 13,588,000)	1,628,659 (JPY 7,008,000)	1,512,459 (JPY 6,508,000)	-	4.7	12,162,966	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	3,475,133	950,000	950,000	500,000	-	2.7	12,162,966	Yes	-	-
1	Matrix Precision	Hiwin Mikrosystem	Other related party	2,053,575	288,000	288,000	-	-	141.3	2,053,575	No	-	-

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 limit on the endorsements/guarantees provided for a single enterprise is 10% of Matrix Precision's net assets as shown in its most recent financial statements. The aggregate endorsement/guarantee limit is 35% of Matrix Precision's net assets as shown in its most recent financial statements. Because both applicants have signed a contract for mutual insurance, the amount of endorsements/guarantees provided by Matrix Precision is not subject to the foregoing limitations; however, it must not exceed 300% of Matrix Precision's higher amounts of paid-in capital or net assets in its most recent financial statements.

Note 3: The aggregate endorsement/guarantee limit is 35% 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: The amounts denominated in foreign currencies were translated into the New Taiwan dollar at the exchange rate prevailing at the end of last month.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				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	-	\$ 2,873	-	\$ 2,873	
	<u>Shares</u> Hiwin Mikrosystem	Other related party	Financial assets at FVTOCI - non-current	9,525,676	660,129	8	660,129	
	Ever Fortune.	-	Financial assets at FVTOCI - non-current	2,573,000	182,812	3	182,812	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,650	-	3,650	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

Note: For information on the investments in subsidiaries and associates, see Tables 8 and 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICE AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount
The Company	Shares	Investments accounted for using the equity method	Eterbright	Subsidiary	345,460,592	\$ (123,039)	159,900,000	\$ 1,599,000	-	\$ -	\$ -	\$ -	\$ (484,995) (Note)	505,360,592	\$ 990,966

Note: Including investment loss accounted for using the equity method of \$(294,738) thousand, realized gross profit of \$604 thousand and a decrease in net assets of \$(190,861) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Yunlin Technology Third Factory	2022.5.10	\$ 398,000	\$ 147,260	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
The Company	Yunlin Technology Third Factory	2022.5.10	370,000	48,100	Ou Dyi Electric Technique Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Yunlin Technology Third Factory	2022.5.10	180,000	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	First Factory	2022.7.5	410,000	8,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Second Factory	2022.8.10	480,000	13,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	First Factory	2022.11.7	381,700	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Second Factory	2022.11.7	363,300	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.11.7	642,447	-	Fu Tai Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.12.23	385,560	-	Chyi Ding Technologies Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-

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 YEAR ENDED DECEMBER 31, 2022
(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	\$ (4,345,534)	(19)	O/A 90-120 days	\$ -	-	\$ 698,995	18	Note
	Hiwin Germany	Subsidiary	Sale	(1,678,140)	(8)	O/A 90 days	-	-	421,275	11	
	Hiwin Japan	Subsidiary	Sale	(801,653)	(4)	O/A 150 days	-	-	515,387	14	
	Hiwin Italy	Subsidiary	Sale	(728,256)	(3)	O/A 180 days	-	-	489,973	13	
	Hiwin USA	Subsidiary	Sale	(641,689)	(3)	O/A 120 days	-	-	144,787	4	
	Hiwin Korea	Subsidiary	Sale	(304,948)	(1)	O/A 180 days	-	-	164,790	4	
	Hiwin Singapore	Subsidiary	Sale	(164,195)	(1)	O/A 120 days	-	-	43,164	1	
	Hiwin Schweiz	Subsidiary	Sale	(158,494)	(1)	O/A 60 days	-	-	25,720	1	
	Hiwin Mikrosystem	Other related party	Purchase	191,329	2	O/A 90 days	-	-	(56,835)	(1)	
	Hiwin China	The Corporation	Parent company	Purchase	4,345,534	98	O/A 90-120 days	-	-	(698,995)	
Hiwin Germany	The Corporation	Parent company	Purchase	1,678,140	66	O/A 90 days	-	-	(421,275)	(64)	
	Hiwin Mikrosystem	Other related party	Purchase	420,584	17	O/A 90 days	-	-	(99,330)	(15)	
	Hiwin S.R.O	Other related party	Sale	(204,290)	(5)	O/A 45 days	-	-	16,354	8	
Hiwin Japan	The Corporation	Parent company	Purchase	801,653	79	O/A 150 days	-	-	(515,387)	(91)	
Hiwin Italy	The Corporation	Parent company	Purchase	728,256	90	O/A 180 days	-	-	(489,973)	(89)	
Hiwin USA	The Corporation	Parent company	Purchase	641,689	74	O/A 120 days	-	-	(144,787)	(81)	
	Hiwin Mikrosystem	Other related party	Purchase	124,505	14	O/A 90 days	-	-	(19,753)	(11)	
Hiwin Korea	The Corporation	Parent company	Purchase	304,948	92	O/A 180 days	-	-	(164,790)	(94)	
Hiwin Singapore	The Corporation	Parent company	Purchase	164,195	69	O/A 120 days	-	-	(43,164)	(78)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	158,494	64	O/A 60 days	-	-	(25,720)	(53)	

Note: Unrealized gains from Hiwin China totaled \$259,117 thousand.

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, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 515,387	1.48	\$ -	-	\$ -	\$ -
			Other receivables from related parties	214,415	-	-	-	101,651	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	421,275	2.40	-	-	159,883	-
			Hiwin Italy	Subsidiary	Trade receivables from related parties	489,973	1.21	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	698,995	3.64	-	-	471,369	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	144,787	3.83	-	-	47,456	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	164,790	1.84	-	-	44,127	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	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	\$ 2,019,545	\$ 283,750	\$ 283,750	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	893,296	141,144	141,144	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	918,602	62,200	100	(9,156)	(42,207)	(42,207)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	245,042	163,888	65,556	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	6,322,668	4,723,668	505,360,592	89	990,966	(346,419)	(294,738)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	53,389	25,736	25,736	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	242,707	1,760,000	100	(102,815)	(40,037)	(40,037)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	1,022,664	34,294,075	50	270,693	(221,645)	(116,228)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,836	(32)	(32)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	108,189	130,600	130,600	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	630,154	535,904	6,449,500	100	302,094	(67,398)	(62,650)	Subsidiary
Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	266,747	51,404	51,404	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	82,381 (EUR 2,518)	(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	42,106	51,404	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: For information on investments in mainland China, see Table 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 1,498,040 (RMB 300,000)	(Note 1)	\$ 1,498,040 (RMB 300,000)	\$ -	\$ -	\$ 1,498,040 (RMB 300,000)	\$ 304,570	100	\$ 304,570 (Note 2)	\$ 2,256,997	\$ -
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 1)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	3,595	50	(1,801) (Note 2)	1,414	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Company	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 3)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 122,334 (Note 3)

Note 1: The investment in mainland China was made directly.

Note 2: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 3: 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 10**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	28,829,898	8.14%

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.

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HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			\$ 374
Foreign currencies			<u>1,375</u>
			<u>1,749</u>
Cash in banks			
Checking accounts			97,809
Demand deposits			2,784,545
Foreign deposits			
USD	6,280	30.710	192,854
EUR	6,712	32.72	219,616
RMB	101,414	4.408	447,033
JPY	633,612	0.2324	147,251
GBP	189	37.09	<u>7,020</u>
			<u>3,896,128</u>
Cash equivalents			
Foreign time deposits			
RMB	60,000	4.408	264,480
USD	7,050	30.710	<u>216,506</u>
			<u>480,986</u>
			<u>\$ 4,378,863</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 17	\$ 9,553
Company 16	4,705
Others (Note)	<u>60,756</u>
	75,014
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 75,014</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, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 25	\$ 163,575
Company 9	124,704
Company 22	75,824
Company 33	65,694
Others (Note)	<u>776,015</u>
	1,205,812
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 1,205,812</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, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount	Market Price (Note 1)
Merchandise	\$ 972	\$ 972
Finished goods	879,450	1,274,542
Work in process	945,642	1,287,070
Raw materials	2,850,197	3,156,322
Inventories in transit	<u>274,721</u>	<u>274,721</u>
	<u>\$ 4,950,982</u>	<u>\$ 5,993,627</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, 2022
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2022		Additions		Decrease		Balance, December 31, 2022		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	
Hiwin Mikrosystem	9,525,676	\$ 1,076,401	-	\$ -	-	\$ 416,272	9,525,676	\$ 660,129	None
Ever Fortune	2,573,000	386,799	-	-	-	203,987	2,573,000	182,812	None
Taichung International Country Club	1	3,080	-	570	-	-	1	3,650	None
Sunengine	588,149	-	-	-	-	-	588,149	-	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
		<u>\$ 1,466,280</u>		<u>\$ 570</u>		<u>\$ 620,259</u>		<u>\$ 846,591</u>	

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2022		Additions		Decrease		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	Realized (Unrealized) Gain	Balance, December 31, 2022			Net Equity Value	Original Investment Cost December 31, 2022	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	\$ 1,683,515	-	\$ -	-	\$ -	\$ -	\$ 283,750	\$ 110,793	\$ (58,513)	-	100	\$ 2,019,545	\$ 2,597,862	\$ 224,257	Nil
Hiwin USA	2,148,000	715,336	-	-	-	-	-	141,144	94,474	(57,658)	2,148,000	100	893,296	1,059,525	353,844	Nil
Hiwin Japan (Note)	62,200	44,350	-	-	-	-	-	(42,207)	(4,924)	(6,375)	62,200	100	(9,156)	72,066	918,602	Nil
Eterbright	345,460,592	(123,039)	159,900,000	1,599,000	-	-	(190,861)	(294,738)	-	604	505,360,592	89	990,966	1,001,088	6,322,668	Nil
Hiwin Singapore	5,000,000	19,104	-	-	-	-	-	25,736	6,349	2,200	5,000,000	100	53,389	73,077	117,550	Nil
Hiwin Korea (Note)	1,760,000	(66,630)	-	-	-	-	-	(40,037)	(3,235)	7,087	1,760,000	100	(102,815)	(66,398)	242,707	Nil
Hiwin China	-	1,826,457	-	-	-	-	-	304,570	31,159	94,811	-	100	2,256,997	2,516,115	1,498,040	Nil
Matrix Precision	34,294,075	384,280	-	-	-	-	-	(113,926)	5	334	34,294,075	50	270,693	93,256	1,022,664	Nil
Hiwin Healthcare Corp.	100,000	2,585	-	-	-	-	-	(32)	283	-	100,000	100	2,836	2,836	3,108	Nil
Hiwin Italy	-	(49,816)	-	-	-	-	-	136,210	14,494	7,301	-	100	108,189	342,780	296,580	Nil
Matrix	5,449,500	273,715	1,000,000	94,250	-	-	-	(62,650)	(3,343)	122	6,449,500	100	302,094	224,096	630,154	Nil
Hiwin Schweiz	243,000	179,530	-	-	-	-	-	51,404	32,811	3,002	243,000	81	266,747	378,041	266,300	Nil
		\$ 4,889,387		\$ 1,693,250		\$ -	\$ (190,861)	\$ 389,224	\$ 278,866	\$ (7,085)			\$ 7,052,781	\$ 8,294,344	\$ 11,896,474	
Investments in associates																
Mega-Fabs	240,000	\$ 184,717	-	\$ -	-	\$ -	\$ -	\$ 65,556	\$ (5,231)	\$ -	240,000	40	\$ 245,042	\$ 212,213	\$ 42,444	Nil

Note: The balance as of DECEMBER 31, 2022 was accounted for as credit balance for investments accounted for using the equity method.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2022	Additions	Decrease	Balance at December 31, 2022
Cost				
Land	\$ 146,417	\$ 470	\$ -	\$ 146,887
Building	220,141	116,011	-	336,152
Total cost	<u>366,558</u>	<u>\$ 116,481</u>	<u>\$ -</u>	<u>483,039</u>
Accumulated depreciation				
Land	24,094	\$ 8,186	\$ -	32,280
Building	124,645	67,512	-	192,157
Total accumulated depreciation	<u>148,739</u>	<u>\$ 75,698</u>	<u>\$ -</u>	<u>224,437</u>
Right-of-use assets	<u>\$ 217,819</u>			<u>\$ 258,602</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	<u>\$ 2,454,193</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, 2022
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan (Note 1)						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2034.2.21	Repayable monthly from July 16, 2014 in 48, 60 and 144 installments	1.70-1.91	\$ 469,010	\$ 2,625,164	\$ 3,094,174
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	1.02	3,167	15,659	18,826
Chang Hwa Commercial Bank, Hsitung Branch	2020.5.26-2037.8.4	Repayable monthly from June 15, 2023 in 48 and 114 installments	1.27-1.64	233	3,357	3,590
Land Bank of Taiwan, Taichung Branch	2021.8.2-2026.2.4	Repayment due on February 4, 2026	1.43	-	200,000	200,000
Unsecured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2020.5.6-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	1.07	<u>483</u>	<u>2,390</u>	<u>2,873</u>
				<u>\$ 472,893</u>	<u>\$ 2,846,570</u>	<u>\$ 3,319,463</u>

Note 1: Property, plant and equipment pledged as collateral in the amount of \$15,318,423 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, 2022****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	20 years	1.45	\$ 115,411
Building	2 to 7 years	1.45	<u>144,309</u>
			259,720
Less: Current portion			<u>(76,304)</u>
Lease liabilities - non-current			<u>\$ 183,416</u>

HIWIN TECHNOLOGIES CORPORATION

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 21,574	\$14,596,936
Ballscrews	About 1,592	5,588,606
Others		<u>2,131,462</u>
		22,317,004
Less: Sales return		(22)
Sales discount		<u>(2,120)</u>
Sales		<u>\$22,314,862</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 2,032,319
Raw materials purchased	6,832,118
Sale of raw materials	(46,651)
Raw materials scrapped	(37,000)
Raw materials, end of year	<u>(2,763,382)</u>
Raw materials used	\$ 6,017,404
Supplies, beginning of year	667,222
Supplies purchased	2,049,455
Sale of supplies	(18,466)
Transferred to manufacturing expense and prepayments for machinery and equipment	(2,067,887)
Supplies, end of year	<u>(630,324)</u>
Supplies used	-
Direct labor	2,908,666
Manufacturing expenses	<u>5,710,252</u>
Manufacturing cost	14,636,322
Work in process, beginning of year	1,555,993
Work in process, end of year	<u>(1,020,199)</u>
Cost of finished goods	15,172,116
Finished goods, beginning of year	835,503
Finished goods, end of year	(963,038)
Transferred to operating expense and prepayments for machinery and equipment	(162,073)
Other adjustment	<u>(68,616)</u>
Cost of goods sold	14,813,892
Merchandise, beginning of year	2,893
Merchandise purchased	2,425
Transferred to manufacturing expense	(1,101)
Transferred from prepayment for machinery and equipment	10,485
Merchandise, end of year	<u>(2,038)</u>
Cost of merchandise sold	12,664
Cost of raw materials and supplies sold	65,117
Inventory write-downs	15,346
Loss from inventories scraps	37,000
Maintenance and warranty expense	17,971
Unallocated fixed overhead	215,737
Revenue from sale of scraps	<u>(151,645)</u>
Operating costs	<u>\$ 15,026,082</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 160,894	\$ 620,315	\$ 554,590	\$ 1,335,799
Depreciation expense	4,416	106,986	63,725	175,127
Shipping expense	75,761	1,190	1,264	78,215
Donation	-	28,531	-	28,531
Others	<u>215,767</u>	<u>241,466</u>	<u>319,366</u>	<u>776,599</u>
Total	<u>\$ 456,838</u>	<u>\$ 998,488</u>	<u>\$ 938,945</u>	<u>\$ 2,394,271</u>