Hiwin Technologies Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HIWIN TECHNOLOGIES CORPORATION

By:

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Chuo, Wen, Hen
President

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hiwin Technologies Corporation (the "Corporation") and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are described as follows:

<u>Revenue Recognition</u>

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

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

1. We understood the internal controls, 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 from distribution channels and verified that order receipts and the timing of revenue recognition were in accordance with the terms of the transaction.

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

Valuation and Impairment Assessment of Inventory

As of December 31, 2023, the carrying amount of inventory was $7,489,605 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the consolidated financial statements.

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

1. We understood 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 sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.

5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

Other Matter

We have also audited the parent company only financial statements of Hiwin Technologies Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 7,564,000	15	$ 7,457,770	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	9,874	-	228	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	577,892	1	705,055	2
Notes receivable from related parties, net (Notes 4, 9 and 26)	418	-	937	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	2,937,815	6	2,634,214	5
Trade receivables from related parties, net (Notes 4, 9 and 26)	36,627	-	16,773	-
Inventories (Notes 4, 5 and 10)	7,489,605	14	8,937,842	17
Other current assets (Notes 6, 26 and 27)	611,977	1	565,981	1
Total current assets	19,228,208	37	20,318,800	39
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	849,509	2	846,591	2
Financial assets at amortized cost - non-current (Note 4)	-	-	2,873	-
Investments accounted for using the equity method (Notes 4 and 12)	378,170	1	327,423	1
Property, plant and equipment (Notes 4, 13, 26 and 27)	28,214,864	55	27,678,842	53
Right-of-use assets (Notes 4, 14, 26 and 27)	614,429	1	676,501	1
Goodwill (Note 4)	256,163	1	256,163	-
Deferred tax assets (Notes 4 and 21)	491,237	1	577,194	1
Prepayments for machinery and equipment (Note 15)	1,048,381	2	1,094,142	2
Refundable deposits (Note 4)	110,967	-	103,594	-
Other non-current assets (Notes 4 and 9)	244,862	-	257,543	1
Total non-current assets	32,208,582	63	31,820,866	61
TOTAL	$ 51,436,790	100	$ 52,139,666	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16, 26 and 27)	$ 1,488,466	3	$ 1,856,941	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	136	-	4,757	-
Contract liabilities - current (Note 4)	137,391	-	154,384	-
Notes payable (Note 26)	6,510	-	2,591	-
Trade payables to unrelated parties	2,671,351	5	2,714,102	5
Trade payables to related parties (Note 26)	161,153	1	280,445	1
Other payables (Notes 17 and 26)	2,029,697	4	2,255,990	4
Current tax liabilities (Notes 4 and 21)	559,567	1	1,102,488	2
Lease liabilities - current (Notes 4, 14 and 26)	105,088	-	157,542	-
Current portion of long-term borrowings (Notes 16 and 27)	615,124	1	794,019	2
Other current liabilities (Note 4)	185,515	1	86,958	-
Total current liabilities	7,959,998	16	9,410,217	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 27)	6,954,779	13	6,309,496	12
Deferred tax liabilities (Notes 4 and 21)	846,873	2	854,128	2
Lease liabilities - non-current (Notes 4, 14 and 26)	370,677	1	375,256	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	140,836	-	191,481	-
Other non-current liabilities	49,302	-	34,421	-
Total non-current liabilities	8,362,467	16	7,764,782	15
Total liabilities	16,322,465	32	17,174,999	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	3,537,923	7	3,537,923	7
Capital surplus	7,479,735	14	7,479,735	14
Retained earnings				
Legal reserve	3,821,341	7	3,390,134	7
Unappropriated earnings	19,767,009	39	20,069,127	38
Other equity	392,016	1	274,411	1
Total equity attributable to owners of the Corporation	34,998,024	68	34,751,330	67
NON-CONTROLLING INTERESTS	116,301	-	213,337	-
Total equity	35,114,325	68	34,964,667	67
TOTAL	$ 51,436,790	100	$ 52,139,666	100

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2023		2022	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 26)	$ 24,632,772	100	$ 29,314,648	100
COST OF GOODS SOLD (Notes 10, 20 and 26)	16,977,522	69	18,599,298	63
GROSS PROFIT	7,655,250	31	10,715,350	37
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	1,905,243	7	1,854,045	6
General and administrative expenses	2,155,599	9	2,159,649	8
Research and development expenses	943,458	4	1,129,207	4
Total operating expenses	5,004,300	20	5,142,901	18
PROFIT FROM OPERATIONS	2,650,950	11	5,572,449	19
NON-OPERATING INCOME AND EXPENSES				
Subsidized revenue (Notes 4 and 16)	34,435	-	48,654	-
Finance costs (Notes 4, 20 and 26)	(194,843)	(1)	(186,879)	(1)
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	48,717	-	79,727	-
Interest income (Note 4)	62,421	-	53,909	-
Other income (Notes 4 and 26)	146,676	1	103,486	-
Net foreign exchange gain (Notes 4 and 29)	16,423	-	301,085	1
Other expenses (Note 26)	(63,732)	-	(10,403)	-
Loss on disposal of property, plant and equipment (Notes 4 and 26)	(166,282)	(1)	(123,430)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	5,285	-	(20,648)	-
Total non-operating income and expenses	(110,900)	(1)	245,501	-
PROFIT BEFORE INCOME TAX	2,540,050	10	5,817,950	19
INCOME TAX EXPENSE (Notes 4 and 21)	708,540	3	1,506,215	5
NET PROFIT FOR THE YEAR	1,831,510	7	4,311,735	14

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2023		2022	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	$ (13,592)	-	$ 29,718	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	69,397	-	(619,689)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	1,314	-	(3,924)	-
	57,119	-	(593,895)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	124,854	1	273,739	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	(24,958)	-	(54,727)	-
	99,896	1	219,012	1
Other comprehensive income (loss) for the year, net of income tax	157,015	1	(374,883)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,988,525	8	$ 3,936,852	13
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,034,748	8	$ 4,479,381	15
Non-controlling interests	(203,238)	(1)	(167,646)	-
	$ 1,831,510	7	$ 4,311,735	15
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,192,551	9	$ 4,102,206	14
Non-controlling interests	(204,026)	(1)	(165,354)	(1)
	$ 1,988,525	8	$ 3,936,852	13
EARNINGS PER SHARE (Note 22)				
Basic	$ 5.75		$ 12.98	
Diluted	$ 5.74		$ 12.89	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Notes 19 and 23)								
			Retained Earnings		Other Equity				
	Ordinary Shares	Capital Surplus	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	Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
BALANCE AT JANUARY 1, 2022	$ 3,407,923	$ 5,516,470	$ 3,071,586	$ 17,609,166	$ (599,662)	$ 1,274,802	$ 30,280,285	$ 186,830	$ 30,467,115
Appropriation of 2021 earnings									
Legal reserve	-	-	318,548	(318,548)	-	-	-	-	-
Cash dividends - NT$4.5 per share	-	-	-	(1,533,565)	-	-	(1,533,565)	-	(1,533,565)
	-	-	318,548	(1,852,113)	-	-	(1,533,565)	-	(1,533,565)
Issuance of ordinary shares for cash	130,000	1,945,000	-	-	-	-	2,075,000	-	2,075,000
Share-based payment arrangements	-	18,265	-	-	-	-	18,265	-	18,265
Changes in non-controlling interests	-	-	-	-	-	-	-	1,000	1,000
Changes in percentage of ownership interests in subsidiaries	-	-	-	(190,861)	-	-	(190,861)	190,861	-
Net profit (loss) for the year ended December 31, 2022	-	-	-	4,479,381	-	-	4,479,381	(167,646)	4,311,735
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	23,554	218,960	(619,689)	(377,175)	2,292	(374,883)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	4,502,935	218,960	(619,689)	4,102,206	(165,354)	3,936,852
BALANCE AT DECEMBER 31, 2022	3,537,923	7,479,735	3,390,134	20,069,127	(380,702)	655,113	34,751,330	213,337	34,964,667
Appropriation of 2022 earnings									
Legal reserve	-	-	431,207	(431,207)	-	-	-	-	-
Cash dividends - NT$5.5 per share	-	-	-	(1,945,857)	-	-	(1,945,857)	-	(1,945,857)
	-	-	431,207	(2,377,064)	-	-	(1,945,857)	-	(1,945,857)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	51,655	-	(51,655)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	106,990	106,990
Net profit (loss) for the year ended December 31, 2023	-	-	-	2,034,748	-	-	2,034,748	(203,238)	1,831,510
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	(11,457)	99,863	69,397	157,803	(788)	157,015
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	2,023,291	99,863	69,397	2,192,551	(204,026)	1,988,525
BALANCE AT DECEMBER 31, 2023	$ 3,537,923	$ 7,479,735	$ 3,821,341	$ 19,767,009	$ (280,839)	$ 672,855	$ 34,998,024	$ 116,301	$ 35,114,325

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,540,050	$ 5,817,950
Adjustments for:		
Depreciation expenses	2,263,216	2,137,424
Amortization expenses	62,593	64,146
Expected credit loss reversed	(2,319)	(5,640)
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(9,738)	4,529
Finance costs	194,843	186,879
Interest income	(62,421)	(53,909)
Dividend income	(9,531)	(9,531)
Share-based compensation	-	18,265
Share of profit of associates accounted for using the equity method	(48,717)	(79,727)
Loss on disposal of property, plant and equipment	166,282	123,430
Impairment loss recognized on non-financial assets	13,360	73,859
Unrealized foreign currency exchange gain, net	(289)	(194)
Others	(434)	(2,036)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,529)	315
Notes receivable	105,343	376,666
Trade receivables	(315,633)	603,696
Inventories	1,771,413	(255,836)
Other current assets	21,016	(39,813)
Contract liabilities	(16,993)	(18,361)
Notes payable	3,919	926
Trade payables	(156,257)	(1,242,570)
Other payables	(381,022)	34,185
Other current liabilities	97,580	(6,220)
Net defined benefit liabilities	(65,744)	(11,666)
Cash generated from operations	6,165,988	7,716,767
Interest received	62,278	53,791
Dividend received	9,531	9,531
Interest paid	(199,771)	(194,842)
Income tax paid	(1,267,660)	(1,507,707)
Net cash generated from operating activities	4,770,366	6,077,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	61,333	-
Proceeds from refunds from financial assets at fair value through other comprehensive income capital premium	5,146	-
Proceeds from sale of financial assets at amortized cost	2,794	-
Payments for property, plant and equipment	(2,299,799)	(1,605,045)
Proceeds from disposal of property, plant and equipment	72,667	23,693

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2023	2022
Increase in refundable deposits	$ (8,639)	$ (1,271)
Increase in other non-current assets	(42,184)	(51,832)
Increase in prepayments for machinery and equipment	(644,672)	(572,089)
Dividends received from associates	7,320	3,309
Net cash used in investing activities	(2,846,034)	(2,203,235)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(354,462)	(3,063,211)
Repayments of short-term bills payable	-	(89,923)
Proceeds from long-term borrowings	1,471,892	1,653,720
Repayments of long-term borrowings	(913,454)	(807,037)
Repayment of the principal portion of lease liabilities	(181,045)	(178,223)
Increase in other non-current liabilities	15,728	20,742
Dividends paid to owners of the Corporation	(1,945,857)	(1,533,565)
Proceeds from issuance of ordinary shares	-	2,075,000
Changes in non-controlling interests	106,990	1,000
Net cash used in financing activities	(1,800,208)	(1,921,497)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(17,894)	71,909
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,230	2,024,717
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,457,770	5,433,053
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,564,000	$ 7,457,770

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Corporation 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 Corporation have been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on February 27, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the FSC.

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

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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 Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

See Note 11, Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

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

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

f. Foreign currencies

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

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

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

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

g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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.

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditures

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

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

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

3) Derecognition of intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and 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 25.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity, 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 Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Provision

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

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

o. Revenue recognition

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

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

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

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

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

q. Borrowing costs

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

r. Government grants

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

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation’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 Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

u. Taxation

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

1) Current tax

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

According to the Income Tax 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations and assumptions 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.

When the Group develops material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	**2022**
Cash on hand	$ 1,929	$ 2,145
Checking accounts and demand deposits	4,980,123	6,200,658
Pledged time deposits	30	300
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	2,581,948	1,254,967
	7,564,030	7,458,070
Less: Pledged time deposits (classified as other current assets)	(30)	(300)
	$ 7,564,000	$ 7,457,770

Rate of interest per annum (%)		
Cash in bank	0.00-1.80	0.00-1.25
Time deposits (investments with original maturities of 3 months or less)	0.70-5.45	0.05-4.20
Pledged time deposits (Note 27)	0.05-3.00	1.44

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	**Maturity Date**	**Notional Amount (In Thousands)**
December 31, 2023			
Sell	EUR/NTD	2024.1.16-2024.3.28	EUR6,300/NTD215,150
Sell	RMB/NTD	2024.1.12-2024.2.29	CNY90,000/NTD393,636
Sell	USD/NTD	2024.1.16-2024.3.29	USD4,600/NTD143,909
December 31, 2022			
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

The Group 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

	December 31	
	2023	**2022**
Name of Investee Company		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	$ 652,509	$ 660,129
Ever Fortune. AI Co., Ltd. (Ever Fortune)	193,000	182,812
Domestic unlisted ordinary shares		
Taichung International Country Club	4,000	3,650
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
	$ 849,509	$ 846,591

Ever Fortune's shares have been listed on the over-the-counter market in March 2023.

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

From June to September 2023, the Group sold its partial shares in Ever Fortune at a fair value of $61,333 thousand and its related unrealized valuation gain of $51,655 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	**2022**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 578,332	$ 706,028
Less: Allowance for impairment loss	(22)	(36)
	$ 578,310	$ 705,992
Trade receivables		
At amortized cost		
Gross carrying amount	$ 2,984,071	$ 2,664,402
Less: Allowance for impairment loss	(9,629)	(13,415)
	$ 2,974,442	$ 2,650,987

a. Notes receivable

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

	December 31	
	2023	2022
Not past due	$ 578,332	$ 706,028
Past due	-	-
	$ 578,332	$ 706,028

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

b. Trade receivables

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated 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 Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
December 31, 2023					
Gross carrying amount	$ 2,889,359	$ 85,462	$ 7,218	$ 2,032	$ 2,984,071
Loss allowance (Lifetime ECL)	(4,509)	(966)	(2,122)	(2,032)	(9,629)
Amortized cost	$ 2,884,850	$ 84,496	$ 5,096	$ -	$ 2,974,442
December 31, 2022					
Gross carrying amount	$ 2,554,104	$ 103,958	$ 1,379	$ 4,961	$ 2,664,402
Loss allowance (Lifetime ECL)	(5,648)	(2,476)	(330)	(4,961)	(13,415)
Amortized cost	$ 2,548,456	$ 101,482	$ 1,049	$ -	$ 2,650,987

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

	For the Year Ended December 31, 2023		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2023	$ 36	$ 13,415	$ 27,395
Net remeasurement of loss allowance	(14)	(2,305)	-
Amounts written off	-	(1,772)	-
Foreign exchange gains and losses	-	291	-
Balance at December 31, 2023	$ 22	$ 9,629	$ 27,395

	For the Year Ended December 31, 2022		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2022	$ 1,884	$ 16,890	$ 27,395
Net remeasurement of loss allowance	(1,848)	(3,792)	-
Foreign exchange gains and losses	-	317	-
Balance at December 31, 2022	$ 36	$ 13,415	$ 27,395

10. INVENTORIES

	December 31	
	2023	2022
Merchandise	$ 180	$ 4,172
Finished goods	3,424,836	4,092,583
Work in process	1,429,492	1,396,857
Raw materials and supplies	2,423,080	3,084,782
Inventory in transit	212,017	359,448
	$ 7,489,605	$ 8,937,842

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was $16,977,522 thousand and $18,599,298 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-downs of $13,360 thousand and $73,859 thousand, respectively, and unallocated fixed overhead of $417,846 thousand and $405,557 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership December 31	
Investor	**Investee**	**Main Business**	**2023**	**2022**
The Corporation	Hiwin Corporation, U.S.A. ("Hiwin USA")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation, Japan ("Hiwin Japan")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin GmbH ("Hiwin Germany")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Eterbright Solar Corporation ("Eterbright") (Note 23)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	89	89
	Hiwin Singapore Pte. Ltd. ("Hiwin Singapore")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation ("Hiwin Korea")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Technologies (China) Corporation ("Hiwin China")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Matrix Precision Co., Ltd. ("Matrix Precision")	Research, development, production, manufacture and sale of gear cutting tools and machinery	50	50
	Hiwin Healthcare Corp.	Sale of medical robots	100	100
	Hiwin S.R.L. ("Hiwin Italy")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Matrix Machine Tool (Coventry) Limited (Matrix)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100
	Hiwin (Schweiz) GmbH ("Hiwin Schweiz")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	81
Hiwin Germany	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19
Matrix Precision	Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sale of gear cutting tools and machinery	100	100

The resolution to liquidate and dissolve Eterbright has been approved by the extraordinary shareholders in their extraordinary meeting on November 27, 2023. The base date for dissolution is February 29, 2024.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2023	2022
Eterbright	11%	11%
Matrix Precision	50%	50%

See Tables 7 and 8 for the information on places of incorporation and principal places of business.

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Eterbright	$ (58,683)	$ (51,680)	$ 61,771	$ 120,453
Matrix Precision	(145,343)	(113,674)	54,530	92,884
	$ (204,026)	$ (165,354)	$ 116,301	$ 213,337

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	December 31 2023	2022
Current assets	$ 647,258	$ 855,074
Non-current assets	62,749	418,741
Current liabilities	(134,859)	(98,379)
Non-current liabilities	-	(53,894)
Equity	$ 575,148	$ 1,121,542
Equity attributable to:		
Owners of Eterbright	$ 513,377	$ 1,001,089
Non-controlling interests of Eterbright	61,771	120,453
	$ 575,148	$ 1,121,542

	For the Year Ended December 31	
	2023	2022
Revenue	$ 19,309	$ 26,760
Net loss for the year	$ (546,394)	$ (346,418)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	$ (546,394)	$ (346,418)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	$ (487,711)	$ (294,738)
Non-controlling interests of Eterbright	(58,683)	(51,680)
	$ (546,394)	$ (346,418)
Net cash inflow (outflow) from:		
Operating activities	$ (229,013)	$ (254,524)
Investing activities	57,892	(4,077)
Financing activities	(25,242)	920,359
Net cash inflow (outflow)	$ (196,363)	$ 661,758

Matrix Precision and Matrix Precision's subsidiaries

	December 31	
	2023	2022
Current assets	$ 471,918	$ 548,092
Non-current assets	1,942,736	1,354,236
Current liabilities	(772,885)	(742,666)
Non-current liabilities	(1,442,838)	(955,772)
Equity	$ 198,931	$ 203,890
Equity attributable to:		
Owners of Matrix Precision	$ 136,061	$ 102,149
Non-controlling interests of Matrix Precision	62,870	101,741
	$ 198,931	$ 203,890

	For the Year Ended December 31	
	2023	2022
Revenue	$ 224,250	$ 316,034
Net loss for the year	$ (290,722)	$ (221,645)
Other comprehensive income (loss) for the year	(1,583)	4,593
Total comprehensive loss for the year	$ (292,305)	$ (217,052)

	For the Year Ended December 31	
	2023	2022
Loss attributable to:		
Owners of Matrix Precision	$ (145,651)	$ (111,044)
Non-controlling interests of Matrix Precision	(145,070)	(110,601)
	$ (290,721)	$ (221,645)
Total comprehensive loss attributable to:		
Owners of Matrix Precision	$ (146,447)	$ (108,743)
Non-controlling interests of Matrix Precision	(145,858)	(108,309)
	$ (292,305)	$ (217,052)
Net cash inflow (outflow) from:		
Operating activities	$ (65,399)	$ (176,087)
Investing activities	(533,262)	(23,309)
Financing activities	533,667	252,531
Net cash inflow (outflow)	$ (64,994)	$ 53,135

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Associates that are not individually material	$ 378,170	$ 327,423

	For the Year Ended December 31	
	2023	2022
The Group's share of:		
Profit for the year	$ 48,717	$ 79,727
Other comprehensive income for the year	-	-
Total comprehensive income for the year	$ 48,717	$ 79,727

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2023					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	$ 5,428,566	$ 67,524	$ -	$ -	$ (25,341)	$ 5,470,749
Buildings and improvements	15,843,551	216,120	(85)	1,043,295	(55,845)	17,047,036
Machinery and equipment	15,656,424	215,689	(2,660,372)	676,974	11,581	13,900,296
Transportation equipment	266,724	43,784	(37,176)	2,621	6,392	282,345
Leasehold improvements	116,137	5,815	(72,421)	-	(1,393)	48,138
Miscellaneous equipment	2,833,600	161,290	(712,747)	48,944	(785)	2,330,302
Construction in progress	631,389	1,758,700	(167)	(1,080,618)	2,311	1,311,615
	40,776,391	$ 2,468,922	$ (3,482,968)	$ 691,216	$ (63,080)	40,390,481
Accumulated depreciation and impairment						
Buildings and improvements	2,633,980	$ 428,669	$ (25)	$ -	$ 2,987	3,065,611
Machinery and equipment	8,282,212	1,581,127	(2,437,407)	-	7,196	7,433,128
Transportation equipment	152,496	39,728	(32,179)	-	3,389	163,434
Leasehold improvements	107,425	3,010	(71,985)	-	(1,089)	37,361
Miscellaneous equipment	1,921,436	252,982	(702,403)	-	4,088	1,476,083
	13,097,549	$ 2,305,516	$ (3,244,019)	$ -	$ 16,571	12,175,617
	$ 27,678,842					$ 28,214,864

	For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	$ 5,424,124	$ 8,220	$ -	$ -	$ (3,778)	$ 5,428,566
Buildings and improvements	14,019,116	185,776	(216,959)	1,767,138	88,480	15,843,551
Machinery and equipment	15,107,593	256,549	(684,494)	932,247	44,529	15,656,424
Transportation equipment	240,647	23,871	(9,377)	3,226	8,357	266,724
Leasehold improvements	121,948	1,160	(7,659)	-	688	116,137
Miscellaneous equipment	2,676,669	151,346	(180,278)	165,316	20,547	2,833,600
Construction in progress	1,577,851	1,007,109	-	(1,935,878)	(17,693)	631,389
	39,167,948	$ 1,634,031	$ (1,098,767)	$ 932,049	$ 141,130	40,776,391
Accumulated depreciation and impairment						
Buildings and improvements	2,329,595	$ 388,798	$ (102,192)	$ -	$ 17,779	2,633,980
Machinery and equipment	7,403,997	1,524,289	(668,667)	-	22,593	8,282,212
Transportation equipment	119,973	36,710	(9,119)	-	4,932	152,496
Leasehold improvements	110,650	3,598	(7,396)	-	573	107,425
Miscellaneous equipment	1,849,481	222,324	(164,270)	-	13,901	1,921,436
	11,813,696	$ 2,175,719	$ (951,644)	$ -	$ 59,778	13,097,549
	$ 27,354,252					$ 27,678,842

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

Buildings and improvements	
Main buildings	8-55 years
Electrical power equipment	5-35 years
Engineering system	5-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-20 years
Transportation equipment	2-10 years
Leasehold improvements	2-17 years
Miscellaneous equipment	1-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amounts (Note 27)		
Land	$ 385,314	$ 292,211
Buildings	212,808	365,901
Transportation equipment	15,491	17,916
Miscellaneous equipment	816	473
	$ 614,429	$ 676,501

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 172,577	$ 193,934
Depreciation charge for right-of-use assets		
Land	$ 20,354	$ 20,262
Buildings	158,823	157,426
Transportation equipment	4,601	5,530
Miscellaneous equipment	208	243
	$ 183,986	$ 183,461

b. Lease liabilities

	December 31	
	2023	2022
Carrying amounts		
Current	$ 105,088	$ 157,542
Non-current	$ 370,677	$ 375,256

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.45%-1.85%	1.45%-1.50%
Buildings	0.90%-5.35%	0.90%-4.90%
Transportation equipment	1.23%-4.10%	1.23%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%

c. Material leasing activities and terms

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

The Group also leases land and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases	$ 18,858	$ 20,272
Expenses relating to low-value asset leases	$ 12,203	$ 6,685
Total cash outflow for leases	$ (220,376)	$ (215,214)

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

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

	December 31	
The Date of Initial Cost Contribution	**2023**	**2022**
Within 1 year	$ 296,126	$ 344,212
1-2 years	335,563	252,110
2-5 years	226,740	389,751
More than 5 years	189,952	108,069
	$ 1,048,381	$ 1,094,142

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

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Secured borrowings (Note 27)		
Working capital loans	$ 1,445,026	$ 1,856,941
Unsecured borrowings		
Line of credit borrowings	43,440	-
	$ 1,488,466	$ 1,856,941
Rate of interest per annum (%)		
Working capital loans	1.95-8.25	0.58-4.30
Line of credit borrowings	0.95	-

b. Long-term borrowings

	December 31	
	2023	2022
Secured borrowings (Note 27)		
Secured loans - Expired from March 2024 to July 2038	$ 6,548,071	$ 6,799,647
Unsecured borrowings		
Unsecured loans - Expired from April 2027 to October 2029	1,021,832	303,868
	7,569,903	7,103,515
Less: Current portion	(615,124)	(794,019)
Long-term borrowings	$ 6,954,779	$ 6,309,496
Rate of interest per annum (%)		
Secured loans	0.93-7.25	0.93-5.50
Unsecured loans	0.90-5.40	0.90-2.80

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of December 31, 2023, $23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Corporation recognized $501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

17. OTHER PAYABLES

	December 31	
	2023	2022
Payables for salaries and bonuses	$ 901,458	$ 967,123
Payables for purchases of building and equipment	238,373	69,250
Payables for annual leave	185,031	184,429
Payables for compensation of employees	161,498	381,681
Payables for remuneration of directors	81,229	191,082
Others	462,108	462,425
	$ 2,029,697	$ 2,255,990

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Hiwin Germany, Hiwin Schweiz, Hiwin Japan, Hiwin Singapore, Hiwin Korea, Hiwin China, Matrix and Suzhou Matrix have pension plans which pay for an annuity and certain types of insurance under the local regulations. Hiwin USA has defined contribution pension plans, which are independently administered.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and Matrix Precision of the Group in accordance with the Labor Standards 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 Corporation and Matrix Precision contribute 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy. Hiwin Italy also adopted the defined benefit plans in accordance with the local laws.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	$ 423,708	$ 404,430
Fair value of plan assets	(282,872)	(212,949)
Net defined benefit liabilities	$ 140,836	$ 191,481

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, 2023	$ 404,430	$ (212,949)	$ 191,481
Service cost			
Current service cost	10,406	-	10,406
Net interest expense (income)	5,291	(2,496)	2,795
Recognized in profit or loss	15,697	(2,496)	13,201
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,718)	(2,718)
Actuarial gain - changes in financial assumptions	(1,146)	-	(1,146)
Actuarial loss - experience adjustments	17,456	-	17,456
Recognized in other comprehensive income	16,310	(2,718)	13,592
Contributions from the employer	-	(78,876)	(78,876)
Benefits paid	(14,014)	14,014	-
Exchange differences on foreign plans	1,285	153	1,438
Balance at December 31, 2023	$ 423,708	$ (282,872)	$ 140,836
Balance at January 1, 2022	$ 437,041	$ (206,990)	$ 230,051
Service cost			
Current service cost	12,118	-	12,118
Net interest expense (income)	3,124	(1,471)	1,653
Recognized in profit or loss	15,242	(1,471)	13,771
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(15,475)	(15,475)
Actuarial loss - changes in demographic assumptions	740	-	740
Actuarial gain - changes in financial assumptions	(15,545)	-	(15,545)
Actuarial loss - experience adjustments	562	-	562
Recognized in other comprehensive income	(14,243)	(15,475)	(29,718)
Contributions from the employer	-	(24,643)	(24,643)
Benefits paid	(35,412)	35,412	-
Exchange differences on foreign plans	1,802	218	2,020
Balance at December 31, 2022	$ 404,430	$ (212,949)	$ 191,481

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2023	**2022**
Discount rates	1.20%, 1.25%, 3.17%	1.05%, 1.25%, 3.77%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%

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	
	2023	**2022**
The Corporation		
Discount rate		
0.25% increase	$ (4,321)	$ (5,114)
0.25% decrease	$ 4,454	$ 5,290
Expected rate of salary increase/decrease		
0.25% increase	$ 4,396	$ 5,445
0.25% decrease	$ (4,288)	$ (4,861)
Matrix Precision		
Discount rate		
0.25% increase	$ (878)	$ (745)
0.25% decrease	$ 912	$ 767
Expected rate of salary increase/decrease		
0.25% increase	$ 941	$ 779
0.25% decrease	$ (824)	$ (710)
Hiwin Italy		
Discount rate		
0.25% increase	$ (45,452)	$ (35,269)
0.25% decrease	$ 47,028	$ 36,430

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	
	2023	**2022**
Expected contributions to the plan for the next year	$ 24,631	$ 25,100
Average duration of the defined benefit obligation	10.3 years	11.5 years
	10.7 years	10 years
	11.2 years	11 years

19. EQUITY

a. Ordinary shares

	December 31	
	2023	**2022**
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands)	353,792	353,792
Shares issued	$ 3,537,923	$ 3,537,923

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 Corporation'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 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 Corporation recognized salary expense and capital surplus amounted to $18,265 thousand in 2022.

b. Capital surplus

	December 31	
	2023	**2022**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	$ 7,469,101	$ 7,469,101
Invalid employee shares	10,634	10,634
	$ 7,479,735	$ 7,479,735

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

c. Retained earnings and dividends policy

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

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

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2022	**2021**	**2022**	**2021**
Legal reserve	$ 431,207	$ 318,548		
Cash dividends	1,945,857	1,533,565	$ 5.5	$ 4.5

The appropriations of cash dividends for 2022 and 2021 were approved by the Corporation's board of directors on February 24, 2023 and February 25, 2022, respectively; the other appropriations of earnings for 2022 and 2021 were approved by the shareholders in their meetings on May 31, 2023 and June 27, 2022, respectively.

The appropriation of earnings for 2023, which was proposed by the Corporation's board of directors on February 27, 2024 was as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 207,495	
Cash dividends	884,481	$ 2.5

The above-mentioned cash dividends were approved by the Corporation's board of directors for distribution, and the other appropriation of earnings is subject to the resolution of the shareholders in their meeting to be held on May 31, 2024.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 186,573	$ 177,108
Interest on lease liabilities	8,270	9,771
	$ 194,843	$ 186,879

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest	$ 29,638	$ 16,497
Capitalization rates (%)	1.27-2.20	1.10-4.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2023			
Short-term employee benefits	$ 3,460,725	$ 2,800,081	$ 6,260,806
Post-employment benefits			
Defined contribution plans	121,282	85,417	206,699
Defined benefit plans (Note 18)	5,369	7,832	13,201
Other employee benefits	154,061	76,520	230,581
Depreciation expenses	1,886,657	376,559	2,263,216
Amortization expenses	3,598	58,995	62,593
For the Year Ended December 31, 2022			
Short-term employee benefits	4,243,788	2,687,395	6,931,183
Post-employment benefits			
Defined contribution plans	144,935	84,668	229,603
Defined benefit plans (Note 18)	2,805	10,966	13,771
Other employee benefits	172,775	94,030	266,805
Depreciation expenses	1,790,297	347,127	2,137,424
Amortization expenses	23,036	41,110	64,146

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Corporation’s board of directors on February 27, 2024 and February 24, 2023, respectively, were as follows:

Cash	For the Year Ended December 31			
	2023		2022	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	5.7%	$ 161,498	6.2%	$ 381,681
Remuneration of directors	2.8%	80,749	3.1%	190,841

If there will be a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 626,369	$ 1,232,906
Income tax on unappropriated earnings	48,711	66,553
Adjustments for prior years	(21,598)	6,434
Deferred tax		
In respect of the current year	55,058	200,322
Income tax expense recognized in profit or loss	$ 708,540	$ 1,506,215

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	$ 619,407	$ 1,434,502
Non-deductible expenses in determining taxable income	458	1,222
Tax-exempt income	(3,681)	(975)
Others	(19,227)	(397)
Income tax on unappropriated earnings	106,294	84,217
Investment tax credits used	(137,938)	(127,265)
Loss carryforwards used	-	(5,177)
Current tax	565,313	1,386,127
Unrecognized deductible temporary differences and loss carryforwards	164,012	113,654
Adjustments for prior years' tax	(21,598)	6,434
Others	813	-
Income tax expense recognized in profit or loss	$ 708,540	$ 1,506,215

The tax rate applicable to companies subject to the Income Tax Act in the ROC is 20%; the tax rate applicable to subsidiaries in China is 25%. Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

	For the Year Ended December 31 2023	2022
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 24,958	$ 54,727
Remeasurement of defined benefit plans	(1,314)	3,924
	$ 23,644	$ 58,651

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 291,120	$ (81,519)	$ -	$ 209,601
Allowance for impairment loss	993	17	-	1,010
Allowance for inventory devaluation	116,625	5,935	-	122,560
Payables for annual leave	24,975	2,306	-	27,281
Defined benefit obligation	19,660	(507)	1,314	20,467
Impairment loss on financial assets	4,071	-	-	4,071
Provisions	21,734	(18,167)	-	3,567
Financial liabilities at FVTPL	906	(906)	-	-
Exchange differences on foreign operations	95,111	-	(24,958)	70,153
Unrealized loss on foreign currency exchange	-	12,125	-	12,125
Deferred expenses	-	16,796	-	16,796
Others	1,999	1,607	-	3,606
	$ 577,194	$ (62,313)	$ (23,644)	$ 491,237
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 783,475	$ 13,355	$ -	$ 796,830
Unrealized gain on foreign currency exchange	15,548	(15,548)	-	-
Financial assets at FVTPL	-	1,948	-	1,948
Intangible assets	2,299	(682)	-	1,617
Others	52,806	(6,328)	-	46,478
	$ 854,128	$ (7,255)	$ -	$ 846,873

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 289,703	$ 1,417	$ -	$ 291,120
Allowance for impairment loss	1,731	(738)	-	993
Allowance for inventory devaluation	138,761	(22,136)	-	116,625
Payables for annual leave	25,468	(493)	-	24,975
Defined benefit obligation	24,118	(534)	(3,924)	19,660
Impairment loss on financial assets	4,071	-	-	4,071
Provisions	16,318	5,416	-	21,734
Financial liabilities at FVTPL	-	906	-	906
Exchange differences on foreign operations	149,838	-	(54,727)	95,111
Unrealized loss on foreign currency exchange	5,330	(5,330)	-	-
Others	8,124	(6,125)	-	1,999
	$ 663,462	$ (27,617)	$ (58,651)	$ 577,194
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 635,153	$ 148,322	$ -	$ 783,475
Unrealized gain on foreign currency exchange	1	15,547	-	15,548
Financial assets at FVTPL	63	(63)	-	-
Intangible assets	2,910	(611)	-	2,299
Others	43,296	9,510	-	52,806
	$ 681,423	$ 172,705	$ -	$ 854,128

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2023	2022
Loss carryforwards	$ 9,426,528	$ 8,151,375
Investment loss	3,872,585	3,384,874
Deductible temporary difference	108,873	879,674
	$ 13,407,986	$ 12,415,923

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Investee	Unused Amount	Expiry Year
Eterbright	$ 6,716,420	2024-2023
Matrix Precision	1,653,798	2024-2023
Hiwin Japan	423,956	2024-2023
Hiwin Korea	276,150	2024-2023
Matrix	356,204	no limit
	$ 9,426,528	

f. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2021 have been assessed by the tax authorities.

g. Pillar Two income tax legislation

In 2023, the government of Hiwin Japan, Hiwin Korea, Matrix, Hiwin Germany, Hiwin Schweiz and Hiwin Italy are incorporated, enacted or substantively enacted the Pillar Two income tax legislation effective from April 1, 2024 and January 1, 2024, respectively. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group has no related current tax exposure.

Under the legislation, Matrix, Hiwin Germany, Hiwin Schweiz and Hiwin Italy will be required to pay, in United Kingdom, Germany, Schweiz and Italy, respectively, a top-up tax on the profits of its group entities that are taxed at an effective tax rate of less than 15 percent. As of December 31, 2023, approximately 12 percent of the Group’s annual profits may be subject to tax, which is currently taxed at the effective tax rate applicable to those profits of 15 percent to 37 percent. This information is based on the profits and tax expenses determined as part of the preparation of the Group’s consolidated financial statements, without considering that only the application of certain adjustments may have been required by the legislation. Because not all adjustments that would have been required by the legislation were made, the actual impact of the Pillar Two income tax legislation on the Group’s results had it been in effect for the year ending December 31, 2023 may be significantly different.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2023			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 2,034,748	353,792	$ 5.75
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	918	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 2,034,748	354,710	$ 5.74

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2022			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 4,479,381	345,209	$ 12.98
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	2,258	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 4,479,381	347,467	$ 12.89

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On December 30, 2022, the Corporation 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.

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

24. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Group has to maintain an appropriate amount of capital. Therefore, the Group manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development fees, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Group's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 9,874	$ 228
Financial assets at amortized cost (1)	11,227,719	10,921,216
Financial assets at FVTOCI		
Equity instruments	849,509	846,591
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	136	4,757
Financial liabilities at amortized cost (2)	13,927,080	14,213,584

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties), financial assets at amortized cost - non-current and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including from related parties), other payables and long-term borrowings (including those due within one year).

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by the audit committee and the board of directors in accordance with procedures required by relevant regulations and internal controls.

1) Market risk

The Group entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on translation of sales and receivables from the export of precision component to USA, Germany, Japan and China.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

Since the Group's net investments in foreign operations are held for strategic purposes, they are not hedged.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

<u>Sensitivity analysis</u>

The Group 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, 2023 and 2022 would have decreased by $36,396 thousand and $35,750 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2023	**2022**
Fair value interest rate risk		
Deposits in bank	$ 2,581,978	$ 1,255,267
Lease liabilities	475,765	532,798
Short-term borrowings	710,329	1,085,012
Long-term borrowings	224,143	278,976

	December 31	
	2023	2022
Cash flow interest rate risk		
Deposits in bank	$ 4,917,809	$ 6,102,849
Short-term borrowings	778,137	771,929
Long-term borrowings	7,345,760	6,824,539

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by $25,649 thousand and $11,949 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the counterparties are all creditworthy organizations; thus, no significant credit risk is expected.

The counterparties of the Group's trade receivables cover a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of the counterparties of trade receivables.

The Group's credit risk by geographical locations was mainly in Asia, which accounted for 69% and 53% of the total trade receivables as of December 31, 2023 and 2022, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized bank loan facilities of $15,519,329 thousand and $13,984,978 thousand, respectively.

The following table details the Group's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	More Than 5 Years
December 31, 2023			
Non-derivative financial liabilities			
Non-interest bearing	$ 4,868,711	$ -	$ -
Lease liabilities	126,269	223,287	181,757
Fixed interest rate liabilities	763,767	170,705	-
Variable interest rate liabilities	1,339,823	3,172,167	3,611,907
	$ 7,098,570	$ 3,566,159	$ 3,793,664
Derivative financial liabilities			
Foreign exchange forward contracts	$ 136	$ -	$ -
December 31, 2022			
Non-derivative financial liabilities			
Non-interest bearing	$ 5,253,128	$ -	$ -
Lease liabilities	172,407	294,098	112,633
Fixed interest rate liabilities	1,161,449	202,539	-
Variable interest rate liabilities	1,489,511	3,949,559	2,157,398
	$ 8,076,495	$ 4,446,196	$ 2,270,031
Derivative financial liabilities			
Foreign exchange forward contracts	$ 4,757	$ -	$ -

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	15-20 Years
December 31, 2023					
Lease liabilities	$ 126,269	$ 223,287	$ 93,024	$ 61,667	$ 27,066
Fixed interest rate liabilities	763,767	170,705	-	-	-
Variable interest rate liabilities	1,339,823	3,172,167	2,853,412	581,995	176,500
	$ 2,229,859	$ 3,566,159	$ 2,946,436	$ 643,662	$ 203,566
December 31, 2022					
Lease liabilities	$ 172,407	$ 294,098	$ 68,433	$ 43,844	$ 356
Fixed interest rate liabilities	1,161,449	202,539	-	-	-
Variable interest rate liabilities	1,489,511	3,949,559	1,572,338	390,060	195,000
	$ 2,823,367	$ 4,446,196	$ 1,640,771	$ 433,904	$ 195,356

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

Related Party	Relationship with the Group
Hiwin S.R.O.	Associate
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
All Horng Gear Industry Co., Ltd.	Other related party
Chuo, Yung-Tsai	Key management personnel
Chuo, Wen-Hen	Key management personnel

b. Operating transactions

	For the Year Ended December 31	
	2023	2022
1) Sales of goods		
Associates	$ 201,021	$ 205,435
Other related parties	58,161	118,138
	$ 259,182	$ 323,573

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

	For the Year Ended December 31	
	2023	2022
2) Purchases of goods		
Other related parties	$ 734,758	$ 994,685
Associates	7	149
	$ 734,765	$ 994,834

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

3) Other operating transactions

	For the Year Ended December 31	
	2023	2022
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	$ 9,526	$ 9,526
Non-operating income - other income		
Other related parties	$ 6,024	$ 3,571
Non-operating expense - other expenses		
Other related parties	$ 3,445	$ 1,824
Manufacturing and operating expenses		
Other related parties	$ 70,824	$ 48,921
Operating expenses - donations		
Hiwin Education Foundation	$ 3,500	$ 4,000

	December 31	
	2023	2022
4) Notes receivable		
Other related parties	$ 418	$ 937
5) Trade receivables		
Associates	$ 20,682	$ 417
Other related parties	15,945	16,356
	$ 36,627	$ 16,773
6) Other receivables (classified as other current assets)		
Other related parties	$ 348	$ 453
7) Notes payables		
Other related parties	$ 365	$ -
8) Trade payables		
Other related parties	$ 161,153	$ 280,445
9) Other payables		
Other related parties	$ 3,216	$ 5,088
Key management personnel	1,294	1,078
	$ 4,510	$ 6,166

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2023	2022
Other related parties	$ 3,094	$ 1,566

d. Disposal of property, plant and equipment

	Disposal Price		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Other related parties	$ 1,235	$ -	$ 309	$ -

e. Lease arrangements

Lease arrangements represented the lease prices of the Corporation’s factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the nearby factories and the lease area. The rental expenses were paid monthly.

	For the Year Ended December 31	
	2023	2022
Acquisition of right-of-use assets		
Other related parties	$ -	$ 31,246

	December 31	
	2023	2022
Lease liabilities		
Other related parties	$ 7,592	$ 26,746

	For the Year Ended December 31	
	2023	2022
Finance costs		
Other related parties	$ 237	$ 445

f. Endorsements and guarantees

Endorsements and guarantees given by related parties

	December 31	
Related Party Category	2023	2022
Key management personnel		
Amount endorsed	$ 2,595,093	$ 2,298,095
Amount utilized (classified as short-term borrowings)	$ 1,415,003	$ 1,113,134
Other related parties		
Amount endorsed	$ 489,000	$ 320,000

g. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 234,035	$ 357,165
Post-employment benefits	919	962
Share-based payments	-	927
	$ 234,954	$ 359,054

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term and long-term bank loans :

	December 31	
	2023	2022
Property, plant and equipment	$ 17,921,571	$19,579,033
Right-of-use assets	144,291	150,488
Pledged deposits (classified as other current assets)	30	300
	$ 18,065,892	$ 19,729,821

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $366,552 thousand and $361,737 thousand, respectively.

b. As of December 31, 2023 and 2022, commitment for acquisition of property, plant and equipment amounted to $2,492,659 thousand and $3,195,663 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 28,544	30.705	$ 876,442	$ 36,537	30.710	$ 1,122,053
EUR	35,925	33.98	1,220,724	39,090	32.72	1,279,039
JPY	2,776,685	0.2172	603,096	3,767,327	0.2324	875,527
RMB	611,328	4.327	2,645,216	441,333	4.408	1,945,399

(Continued)

	December 31, 2023					December 31, 2022				
	Foreign Currency	Exchange Rate		Carrying Amount		Foreign Currency	Exchange Rate		Carrying Amount	
Non-monetary items										
ILS	$ 28,605	8.897	$	254,492	$	24,542	8.647	$	212,213	
Financial liabilities										
Monetary items										
USD	11,947	30.705		366,830		15,224	30.710		467,525	
EUR	9,507	33.98		323,056		4,001	32.72		130,919	
JPY	439,453	0.2172		95,449		631,501	0.2324		146,761	
RMB	2,448	4.327		10,594		1,829	4.408		8,062	

(Concluded)

The Group is mainly exposed to the USD, EUR, JPY and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gain (loss) are as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	$ 24,701	1 (NTD:NTD)	$ 327,445

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. 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. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (Notes 7 and 25)

10) Other: intercompany relationships and significant intercompany transactions. (Table 6)

11) Information on investees. (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 4 and 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)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are linear guideways, ballscrews and others.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2023	2022	2023	2022
Linear guideways	$ 15,878,031	$ 18,739,172	$ 2,439,137	$ 4,210,975
Ballscrews	4,693,057	6,312,037	632,873	1,473,140
Others	4,061,684	4,263,439	(421,060)	(111,666)
Total from continuing operations	$ 24,632,772	$ 29,314,648	2,650,950	5,572,449

(Continued)

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2023	2022	2023	2022
Subsidy revenue			$ 34,435	$ 48,654
Finance costs			(194,843)	(186,879)
Share of profit of associates accounted for using the equity method			48,717	79,727
Interest income			62,421	53,909
Other income			146,676	103,486
Net foreign exchange gain			16,423	301,085
Valuation gain (loss) on financial assets (liabilities) at FVTPL			5,285	(20,648)
Other expenses			(63,732)	(10,403)
Loss on disposal of property, plant and equipment			(166,282)	(123,430)
Profit before income tax			$ 2,540,050	$ 5,817,950

(Concluded)

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the years ended December 31, 2023 and 2022.

Segment profit represents the profit before tax earned by each segment without subsidy revenue, finance costs, share of profit of associates accounted for using the equity method, interest income, other income, net foreign exchange gain, valuation gain (loss) on financial assets (liabilities) at FVTPL, other expenses, loss on disposal of property, plant and equipment and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in Taiwan, Germany, China, Japan, and the USA.

The Group’s revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	$ 10,757,040	$ 13,678,110	$ 24,590,633	$ 24,132,854
China	4,874,839	5,988,915	1,959,723	2,103,006
Germany	4,168,497	4,076,353	1,124,526	1,091,415
USA	1,254,724	1,438,834	445,034	472,154
Japan	988,724	1,307,180	1,426,855	1,601,024
Others	2,588,948	2,825,256	686,732	410,169
	$ 24,632,772	$ 29,314,648	$ 30,233,503	$ 29,810,622

Non-current assets exclude financial instruments, goodwill and deferred tax assets.

d. Information about major customers

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	$ 3,385,931	14	$ 4,442,513	15
Customer B	3,151,394	13	3,052,680	10

TABLE 1

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	$ 204,415	$ 177,194	$ 177,194	1.9891%	1	Sales $801,653	-	$ -	-	$ -	$ 5,249,703	$ 10,499,407

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Corporation based on its latest financial statements. For financing provided by the Corporation due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the 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 Corporation’s accumulated financing provided should not exceed 30% of the Corporation’s net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

Note 5: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(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 Corporation	Matrix	Subsidiary	$ 3,499,802	$ 81,040 (GBP 2,000)	$ 78,300 (GBP 2,000)	$ 27,405 (GBP 700)	$ -	0.2	$ 12,249,308	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	3,499,802	978,822 (EUR 28,200)	950,094 (EUR 27,960)	504,868 (EUR 14,858)	-	2.7	12,249,308	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	3,499,802	194,550 (USD 6,000)	184,230 (USD 6,000)	-	-	0.5	12,249,308	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	3,499,802	389,100 (USD 12,000)	368,460 (USD 12,000)	179,624 (USD 5,850)	-	1.1	12,249,308	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	3,499,802	1,618,147 (JPY 7,008,000)	1,522,138 (JPY 7,008,000)	1,413,538 (JPY 6,508,000)	-	4.3	12,249,308	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	3,499,802	1,050,000	1,050,000	405,000	-	3.0	12,249,308	Yes	-	-
1	Matrix Precision	Hiwin Mikrosystem	Other related party	2,053,575	288,000	288,000	-	-	144.77	2,053,575	No	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation’s net assets as shown in its most recent financial statements. If approved by the board of directors, the amount of endorsements/guarantees provided by the Corporation for its subsidiaries is not subject to the foregoing limitations; however, it must not exceed 50% of the Corporation's net assets in its most recent financial statements.

Note 2: The 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, 2023
(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, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Shares							
The Corporation	Hiwin Mikrosystem	Other related party	Financial assets at FVTOCI - non-current	9,525,676	$ 652,509	8	$ 652,509	
	Ever Fortune	-	Financial assets at FVTOCI - non-current	2,000,000	193,000	2	193,000	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	4,000	-	4,000	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	9	-	
	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 7 and 8.

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, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin China	Subsidiary	Sale	$ (3,810,854)	(22)	O/A 90 days	$ -	-	$ 895,260	24	
	Hiwin Germany	Subsidiary	Sale	(1,312,438)	(7)	O/A 90 days	-	-	291,274	8	
	Hiwin Italy	Subsidiary	Sale	(663,180)	(4)	O/A 180 days	-	-	362,805	10	
	Hiwin Japan	Subsidiary	Sale	(481,613)	(3)	O/A 150 days	-	-	299,694	8	
	Hiwin USA	Subsidiary	Sale	(295,595)	(2)	O/A 120 days	-	-	114,305	3	
	Hiwin Korea	Subsidiary	Sale	(279,616)	(2)	O/A 180 days	-	-	121,400	3	
	Hiwin Schweiz	Subsidiary	Sale	(160,288)	(1)	O/A 60 days	-	-	15,075	-	
	Hiwin Singapore	Subsidiary	Sale	(106,787)	(1)	O/A 120 days	-	-	30,848	1	
	Hiwin Mikrosystem	Other related party	Purchase	166,833	2	O/A 90 days	-	-	(88,277)	(3)	
Hiwin China	The Corporation	Parent company	Purchase	3,810,854	98	O/A 90 days	-	-	(895,260)	(96)	
Hiwin Germany	The Corporation	Parent company	Purchase	1,312,438	66	O/A 90 days	-	-	(291,274)	(75)	
	Hiwin Mikrosystem	Other related party	Purchase	247,965	13	O/A 90 days	-	-	20,309	9	
	Hiwin S.R.O	Other related party	Sale	(199,606)	(5)	O/A 45 days	-	-	15,945	7	
Hiwin Italy	The Corporation	Parent company	Purchase	663,180	88	O/A 180 days	-	-	(362,805)	(91)	
Hiwin Japan	The Corporation	Parent company	Purchase	481,613	80	O/A 150 days	-	-	(299,694)	(95)	
Hiwin USA	The Corporation	Parent company	Purchase	295,595	66	O/A 120 days	-	-	(114,305)	(72)	
Hiwin Korea	The Corporation	Parent company	Purchase	279,616	95	O/A 180 days	-	-	(121,400)	(98)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	160,288	66	O/A 60 days	-	-	(15,075)	(53)	
Hiwin Singapore	The Corporation	Parent company	Purchase	106,787	74	O/A 120 days	-	-	(30,848)	(65)	

Note: Except for Hiwin Mikrosystem and Hiwin S.R.O, significant intercompany accounts and transactions have been eliminated.

TABLE 5

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, 2023
(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 Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	$ 299,694	1.18	$ -	-	$ -	$ -
			Other receivables from related parties	178,784	-	-	-	34,069	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	291,274	3.68	-	-	86,233	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	362,805	1.56	-	-	134,359	-
	Hiwin China	Subsidiary	Trade receivables from related parties	895,260	4.78	-	-	339,470	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	121,400	1.95	-	-	22,600	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	114,305	2.28	-	-	13,194	-

Note : Significant intercompany accounts and transactions have been eliminated.

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hiwin Germany	1	Sales	$ 1,312,438	O/A 90 days	5
			1	Trade receivables	291,274	O/A 90 days	1
		Hiwin Japan	1	Sales	481,613	O/A 150 days	2
			1	Trade receivables	299,694	O/A 150 days	1
			1	Other receivables	178,784	-	-
		Hiwin China	1	Sales	3,810,854	O/A 90 days	15
			1	Trade receivables	895,260	O/A 90 days	2
		Hiwin Italy	1	Sales	663,180	O/A 180 days	3
			1	Trade receivables	362,805	O/A 180 days	1
		Hiwin USA	1	Sales	295,595	O/A 120 days	1
			1	Trade receivables	114,305	O/A 120 days	-
		Hiwin Korea	1	Sales	279,616	O/A 180 days	1
			1	Trade receivables	121,400	O/A 180 days	-
		Hiwin Schweiz	1	Sales	160,288	O/A 60 days	1
			1	Trade receivables	15,075	O/A 60 days	-

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: Unrealized gains from Hiwin China totaled $195,562 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	$ 224,257	$ 224,257	-	100	$ 2,364,547	$ 114,462	$ 114,462	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	1,030,307	61,918	61,918	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	918,602	62,200	100	(99,209)	(131,045)	(131,045)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	287,321	90,363	36,145	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	6,322,668	505,360,592	89	513,377	(546,394)	(487,711)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	41,151	(22,064)	(22,064)	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	242,707	1,760,000	100	(137,979)	(44,206)	(44,206)	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	124,414	(290,722)	(145,783)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,859	24	24	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	249,298	76,898	76,898	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	729,454	630,154	7,449,500	100	351,496	(59,722)	(61,863)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	368,846	48,528	48,528	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	90,849 (EUR 2,674)	(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	43,727	48,528	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: Except for Mega-Fabs and Hiwin S.R.O., the remaining investee companies are all consolidated entities and the significant intercompany accounts and transactions have been eliminated.

Note 3: For information on investments in mainland China, see Table 8.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					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)	$ 133,775	100	$ 133,775 (Notes 2 and 4)	$ 2,405,992 (Note 4)	$ -
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)	(7,298)	50.1	(3,656) (Notes 2 and 4)	(2,211) (Note 4)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	$ 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)	$ 119,359 (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 Corporation’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 Corporation has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

Note 4: Significant intercompany accounts and transactions have been eliminated.

TABLE 9

HIWIN TECHNOLOGIES CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

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 Corporation's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.