

Hiwin Technologies Corporation

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

We have audited the accompanying financial statements of Hiwin Technologies Corporation (the “Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2019 are as follows:

Revenue recognition

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

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

1. We understood the internal control and evaluated the design of key control. We determined whether the key control has been implemented and tested the operating effectiveness of key control over the acceptance of order and shipping procedures; we selected sample sales transactions of distribution channels and verified that the receiving of the order and the timing of the revenue recognition were in accordance with the terms of transaction.
2. We validated the terms of transactions against sales contracts and orders with major distributors to ensure that the terms of transaction and the timing of the revenue recognition are consistent; we tested the records of sales returns against source documents and we checked whether there was any unusual item during the year and after the balance sheet date.

Impairment assessment of trade receivables

As of December 31, 2019, the net notes receivable and trade receivables were \$4,631,776 thousand (net of allowance of \$5,929 thousand). Since the recognition of allowance for impairment loss and the recoverability of receivables are subject to the management's judgment and estimation in which uncertainty is involved, the impairment assessment of accounts receivable was identified as a key audit matter.

The accounting policy for the recognition of allowance for impairment loss and the detailed information of receivables are disclosed in Notes 4, 5 and 9.

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

1. We understood and tested the internal controls over the recognition of allowance for impairment loss to ensure that the controls have been approved and implemented appropriately.
2. We obtained and sampled the aging report to verify the accuracy and completeness of the accounts receivables.
3. We evaluated the management's assumptions used in the calculation of the allowance for bad debt and checked the calculations supporting the amount of allowance.
4. We compared the aging of receivables of the current year with those of prior years and reviewed the level of amounts written off in the current year and those in the prior years to assess the reasonableness of the allowance.

Valuation and impairment assessment of inventory

As of December 31, 2019, the carrying amount of inventory was \$4,986,384 thousand. Such carrying amount of inventory is the lower of cost or net realizable value which is determined subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the financial statements.

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

1. We understood the related internal control and procedures on the valuation of inventory and assessed that valuation including impairment assessment conforms to the approved procedures.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.

3. We tested the net realizable value of sample inventory items against the selling price, and we checked the completeness and accuracy of the information of net realizable value.
4. We compared the actual sales amount of the sample inventory items with the carrying amount to ascertain that the carrying amount of the inventory does not exceed the net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged stock based on the condition of inventory during our observation of inventory counts.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Done-Yuin Tseng and Li-Tung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2020

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,088,132	3	\$ 1,433,225	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,584	-	282	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 9)	52,217	-	189,647	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 9)	2,953,386	7	3,699,722	8
Trade receivables from related parties, net (Notes 4, 5 and 26)	1,626,173	4	3,138,408	7
Inventories (Notes 4, 5 and 10)	4,986,384	12	5,977,276	14
Other current assets (Note 26)	452,691	1	374,372	1
Total current assets	<u>11,161,567</u>	<u>27</u>	<u>14,812,932</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,023,074	2	930,840	2
Financial assets at amortized cost - non-current (Note 4)	2,922	-	2,803	-
Investments accounted for using the equity method (Notes 4, 11, 22, 23 and 26)	4,623,599	11	4,345,941	10
Property, plant and equipment (Notes 4, 12, 26 and 27)	22,336,826	53	20,804,336	47
Right-of-use assets (Notes 4, 13 and 26)	238,352	1	-	-
Deferred tax assets (Notes 4 and 20)	328,317	1	399,682	1
Prepayments for machinery and equipment (Notes 14 and 26)	2,226,117	5	2,864,639	7
Refundable deposits (Note 4)	17,007	-	16,996	-
Other non-current assets (Note 4)	36,424	-	49,584	-
Total non-current assets	<u>30,832,638</u>	<u>73</u>	<u>29,414,821</u>	<u>67</u>
TOTAL	<u>\$ 41,994,205</u>	<u>100</u>	<u>\$ 44,227,753</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	\$ 6,490,000	15	\$ 4,550,000	10
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	29	-	5,775	-
Contract liabilities - current (Note 4)	32,173	-	104,833	-
Notes payable	8,581	-	12,431	-
Trade payables to unrelated parties	2,031,328	5	5,165,874	12
Trade payables to related parties (Note 26)	27,412	-	34,942	-
Other payables (Notes 16 and 26)	1,037,711	3	2,241,906	5
Current tax liabilities (Notes 4 and 20)	35,855	-	615,008	1
Lease liabilities - current (Notes 4, 13 and 26)	50,676	-	-	-
Current portion of long-term borrowings (Notes 15 and 27)	1,238,479	3	1,604,194	4
Other current liabilities (Note 4)	46,497	-	46,987	-
Total current liabilities	<u>10,998,741</u>	<u>26</u>	<u>14,381,950</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 27)	6,060,651	14	4,792,936	11
Deferred tax liabilities (Notes 4 and 20)	399,718	1	421,253	1
Lease liabilities - non-current (Notes 4, 13 and 26)	188,911	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	240,154	1	287,229	1
Guarantee deposits	100	-	12,875	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	362,677	1	151,051	-
Total non-current liabilities	<u>7,252,211</u>	<u>17</u>	<u>5,665,344</u>	<u>13</u>
Total liabilities	<u>18,250,952</u>	<u>43</u>	<u>20,047,294</u>	<u>45</u>
EQUITY				
Ordinary shares	3,095,789	7	3,005,620	7
Capital surplus	3,236,274	8	3,236,274	7
Retained earnings				
Legal reserve	2,706,052	7	2,166,826	5
Special reserve	-	-	250,940	1
Unappropriated earnings	14,410,303	34	15,145,659	34
Other equity	294,835	1	375,140	1
Total equity	<u>23,743,253</u>	<u>57</u>	<u>24,180,459</u>	<u>55</u>
TOTAL	<u>\$ 41,994,205</u>	<u>100</u>	<u>\$ 44,227,753</u>	<u>100</u>

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 14,831,319	100	\$ 24,600,218	100
COST OF GOODS SOLD (Notes 10, 19 and 26)	<u>10,631,630</u>	<u>72</u>	<u>15,172,408</u>	<u>62</u>
GROSS PROFIT	4,199,689	28	9,427,810	38
REALIZED (UNREALIZED) GAIN (Note 4)	<u>570,527</u>	<u>4</u>	<u>(580,844)</u>	<u>(2)</u>
REALIZED GROSS PROFIT	<u>4,770,216</u>	<u>32</u>	<u>8,846,966</u>	<u>36</u>
OPERATING EXPENSES (Notes 19 and 26)				
Selling and marketing expenses	324,517	2	478,366	2
General and administrative expenses	636,079	5	1,106,090	4
Research and development expenses	<u>891,040</u>	<u>6</u>	<u>1,184,638</u>	<u>5</u>
Total operating expenses	<u>1,851,636</u>	<u>13</u>	<u>2,769,094</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>2,918,580</u>	<u>19</u>	<u>6,077,872</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	20,223	-	38,174	-
Finance costs (Notes 4, 19 and 26)	(103,690)	(1)	(80,098)	-
Share of profit or loss of subsidiaries and associates accounted for using equity method (Notes 4 and 11)	(479,416)	(3)	132,493	1
Interest income (Notes 4 and 26)	8,114	-	37,739	-
Other income (Note 26)	122,560	1	66,661	-
Other expenses	(5,949)	-	(12,860)	-
Net foreign exchange gain (loss) (Notes 4 and 29)	(170,970)	(1)	48,374	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	<u>15,433</u>	<u>-</u>	<u>(17,757)</u>	<u>-</u>
Total non-operating income and expenses	<u>(593,695)</u>	<u>(4)</u>	<u>212,726</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,324,885	15	6,290,598	26
INCOME TAX EXPENSE (Notes 4 and 20)	<u>459,569</u>	<u>3</u>	<u>898,341</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>1,865,316</u>	<u>12</u>	<u>5,392,257</u>	<u>22</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 38,754	-	\$ (16,254)	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	64,130	1	519,283	2
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	1,634	-	2,107	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>(7,751)</u>	<u>-</u>	<u>5,403</u>	<u>-</u>
	<u>96,767</u>	<u>1</u>	<u>510,539</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(167,408)	(1)	(42,185)	-
Share of the other comprehensive income (loss) of subsidiaries and associates/accounted for using the equity method	(514)	-	414	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>33,482</u>	<u>-</u>	<u>17,517</u>	<u>-</u>
	<u>(134,440)</u>	<u>(1)</u>	<u>(24,254)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(37,673)</u>	<u>-</u>	<u>486,285</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,827,643</u>	<u>12</u>	<u>\$ 5,878,542</u>	<u>24</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 6.03</u>		<u>\$ 17.90</u>	
Diluted	<u>\$ 6.01</u>		<u>\$ 17.76</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Ordinary Shares (Note 18)	Capital Surplus (Note 18)		Retained Earnings (Note 18)			Other Equity (Note 4)		Total Equity
		Additional Paid-in Capital	Employee stock option	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	\$ 2,801,573	\$ 308,630	\$ -	\$ 1,893,024	\$ 265,533	\$ 11,275,276	\$ (250,940)	\$ -	\$ 16,293,096
Effect of retrospective application	-	-	-	-	-	33,915	-	139,447	173,362
BALANCE AT JANUARY 1, 2018, AS RESTATED	2,801,573	308,630	-	1,893,024	265,533	11,309,191	(250,940)	139,447	16,466,458
Appropriation of 2017 earnings									
Legal reserve	-	-	-	273,802	-	(273,802)	-	-	-
Special reserve	-	-	-	-	(14,593)	14,593	-	-	-
Cash dividends - NT\$3.5 per share	-	-	-	-	-	(980,551)	-	-	(980,551)
Share dividends - NT\$0.3 per share	84,047	-	-	-	-	(84,047)	-	-	-
	84,047	-	-	273,802	(14,593)	(1,323,807)	-	-	(980,551)
Issuance of ordinary shares for cash	120,000	2,922,204	5,440	-	-	-	-	-	3,047,644
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(231,634)	-	-	(231,634)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	8,396	-	(8,396)	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	5,392,257	-	-	5,392,257
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(8,744)	(24,254)	519,283	486,285
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	5,383,513	(24,254)	519,283	5,878,542
BALANCE AT DECEMBER 31, 2018	3,005,620	3,230,834	5,440	2,166,826	250,940	15,145,659	(275,194)	650,334	24,180,459
Appropriation of 2018 earnings									
Legal reserve	-	-	-	539,226	-	(539,226)	-	-	-
Special reserve	-	-	-	-	(250,940)	250,940	-	-	-
Cash dividends - NT\$7.0 per share	-	-	-	-	-	(2,103,934)	-	-	(2,103,934)
Share dividends - NT\$0.3 per share	90,169	-	-	-	-	(90,169)	-	-	-
	90,169	-	-	539,226	(250,940)	(2,482,389)	-	-	(2,103,934)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(160,915)	-	-	(160,915)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	9,995	-	(9,995)	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,865,316	-	-	1,865,316
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	32,637	(134,440)	64,130	(37,673)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,897,953	(134,440)	64,130	1,827,643
BALANCE AT DECEMBER 31, 2019	\$ 3,095,789	\$ 3,230,834	\$ 5,440	\$ 2,706,052	\$ -	\$ 14,410,303	\$ (409,634)	\$ 704,469	\$ 23,743,253

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,324,885	\$ 6,290,598
Adjustments for :		
Depreciation expenses	1,662,163	1,330,812
Amortization expenses	28,586	17,850
Expected credit loss recognized on trade receivables	7,946	2,807
Net loss (profit) on fair value changes of financial assets and liabilities at fair value through profit or loss	(2,555)	5,493
Finance costs	103,690	80,098
Interest income	(8,114)	(37,739)
Dividend income	(60,931)	(23,511)
Compensation costs of employee share options	-	52,644
Share of profit or loss of subsidiaries and associates	479,416	(132,493)
Loss on disposal of property, plant and equipment	5,191	12,065
Impairment loss recognized (reversed) on non-financial assets	68,000	(1,000)
Unrealized (realized) gains	(570,527)	580,844
Unrealized foreign currency exchange loss (gain), net	74,636	(37,429)
Other	(256)	116
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(5,493)	(2,490)
Notes receivable	138,818	101,788
Trade receivables	2,171,372	(1,874,785)
Inventories	1,132,494	(2,423,191)
Other current assets	(78,311)	(42,110)
Contract liabilities	(72,660)	58,391
Notes payable	(3,850)	3,616
Trade payables	(3,138,847)	1,409,269
Other payables	(1,203,349)	944,176
Other current liabilities	(490)	6,806
Net defined benefit liabilities	(8,321)	(9,205)
Cash generated from operations	<u>3,043,493</u>	<u>6,313,420</u>
Interest received	8,106	37,859
Dividend received	60,931	23,511
Interest paid	(104,454)	(81,291)
Income taxes paid	<u>(963,161)</u>	<u>(532,399)</u>
Net cash generated from operating activities	<u>2,044,915</u>	<u>5,761,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition financial assets at fair value through other comprehensive income	(36,000)	(32,334)
Proceeds from sale of financial assets at fair value through other comprehensive income	7,896	14,750
Return of capital from financial assets at fair value through other comprehensive income	-	96,533

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HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at amortized cost	\$ (2,922)	\$ -
Proceeds from disposal of financial assets at amortized cost	2,700	-
Net cash outflow on acquisition of subsidiaries (Note 22)	-	(240,480)
Payments for property, plant and equipment	(1,400,857)	(3,346,522)
Proceeds from disposal of property, plant and equipment	7,289	5,486
Increase in refundable deposits	(11)	(1,071)
Increase in other non-current assets	(16,704)	(46,751)
Increase in prepayments for machinery and equipment	<u>(1,315,851)</u>	<u>(3,195,050)</u>
Net cash used in investing activities	<u>(2,754,460)</u>	<u>(6,745,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,940,000	1,168,964
Proceeds from long-term borrowings	2,570,460	1,531,860
Repayments of long-term borrowings	(1,668,460)	(2,553,332)
Increase (decrease) in guarantee deposit received	(12,775)	12,575
Repayment of the principal portion of lease liabilities	(58,715)	-
Dividends paid	(2,103,934)	(980,551)
Proceeds from issuance of ordinary shares	-	2,995,000
Acquisition of additional shares of subsidiary	<u>(302,124)</u>	<u>(828,079)</u>
Net cash generated from financing activities	<u>364,452</u>	<u>1,346,437</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345,093)	362,098
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,433,225</u>	<u>1,071,127</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,088,132</u>	<u>\$ 1,433,225</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 25, 2020.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.45%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 289,055
Less: Recognition exemption for short-term leases	-
Less: Recognition exemption for leases of low-value assets	<u>-</u>
Undiscounted amounts on January 1, 2019	<u>\$ 289,055</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 273,326
Add: Adjustments as a result of a different treatment of termination	<u>(4,244)</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 269,082</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ -	\$ 269,082	\$ 269,082
Total effect on assets	<u>\$ -</u>	<u>\$ 269,082</u>	<u>\$ 269,082</u>
Lease liabilities - current	\$ -	\$ 55,521	\$ 55,521
Lease liabilities - non-current	<u>-</u>	<u>213,561</u>	<u>213,561</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 269,082</u>	<u>\$ 269,082</u>
Retained earnings	\$ -	\$ -	\$ -
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

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

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

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries, associates and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

For the purpose of presenting the financial statements, the functional currencies of the Company and the entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

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

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

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

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

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

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

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

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

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

h. Property, plant, and equipment

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

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

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

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

i. Intangible assets

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.

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) 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.

3) Derivative financial instruments

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

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

1. Provision

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

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

m. Revenue recognition

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer acquisition of control. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the customer acquisition control of the good.

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

n. Leasing

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

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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.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

o. Borrowing costs

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

p. Government grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; it is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revision and future periods if the revisions affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 1,616	\$ 1,658
Checking accounts and demand deposits	863,926	1,431,567
Cash equivalents		
Time deposits (investments with original maturities of less than 3 months)	<u>222,590</u>	<u>-</u>
	<u>\$ 1,088,132</u>	<u>\$ 1,433,225</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.38	0.00-0.48
Time deposits (investments with original maturities of less than 3 months)	1.20-2.60	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets and liabilities at fair value through profit or loss (FVTPL) were derivative financial instruments of foreign exchange forward contracts. They have been classified as mandatorily measured at FVTPL. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousand)
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.1.30-2020.3.16	EUR2,700/NTD91,280
Sell	CNY/NTD	2020.1.13-2020.3.17	CNY114,000/NTD490,284
 <u>December 31, 2018</u>			
Sell	EUR/NTD	2019.2.1-2019.3.22	EUR2,100/NTD73,964
Sell	CNY/NTD	2019.1.28-2019.4.16	CNY165,000/NTD728,028

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

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

	<u>December 31</u>	
	2019	2018
Investments in equity instruments at FVTOCI		
<u>Domestic listed ordinary shares</u>		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 787,509	\$ 719,894
<u>Domestic unlisted ordinary shares</u>		
Ever Fortune. AI CO., Ltd. (Ever Fortune.)	28,010	-
Taichung International Country Club	2,500	2,620
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
<u>Overseas unlisted ordinary shares</u>		
Kaland Holdings Corp. (Kaland)	<u>205,055</u>	<u>208,326</u>
	<u>\$ 1,023,074</u>	<u>\$ 930,840</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of USD8,168 thousand was made through investing Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

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

In April 2019, the Company acquired ordinary shares of Ever Fortune in the amount of \$36,000 thousand for medium to long-term strategic purposes; the management designated these investment as at FVTOCI.

In September 2019 and October 2018, the Company sold its shares in Hiwin Mikrosystem with a fair value of \$7,896 thousand and \$14,750 thousand and the Company transferred the unrealized gain of \$9,995 thousand and \$8,396 thousand from other equity to retained earnings, respectively.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 52,744	\$ 191,562
Less: Allowance for impairment loss	<u>(527)</u>	<u>(1,915)</u>
	<u>\$ 52,217</u>	<u>\$ 189,647</u>

	<u>December 31</u>	
	2019	2018
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 2,958,788	\$ 3,703,713
Less: Allowance for impairment loss	<u>(5,402)</u>	<u>(3,991)</u>
	<u>\$ 2,953,386</u>	<u>\$ 3,699,722</u>

a. Notes receivable

The aging of notes receivable for the Company was as follows:

	<u>December 31</u>	
	2019	2018
Not past due	\$ 52,744	\$ 191,562
Past due	<u>-</u>	<u>-</u>
	<u>\$ 52,744</u>	<u>\$ 191,562</u>

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

b. Trade receivables

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

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

The Company applies the approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables.

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2019</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 1,898,285	\$ 1,060,449	\$ 54	\$ -	\$ 2,958,788
Loss allowance (Lifetime ECL)	<u>(19)</u>	<u>(5,382)</u>	<u>(1)</u>	<u>-</u>	<u>(5,402)</u>
Amortized cost	<u>\$ 1,898,266</u>	<u>\$ 1,055,067</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 2,953,386</u>
<u>December 31, 2018</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 3,356,937	\$ 338,510	\$ 606	\$ 7,660	\$ 3,703,713
Loss allowance (Lifetime ECL)	<u>(34)</u>	<u>(339)</u>	<u>(12)</u>	<u>(3,606)</u>	<u>(3,991)</u>
Amortized cost	<u>\$ 3,356,903</u>	<u>\$ 338,171</u>	<u>\$ 594</u>	<u>\$ 4,054</u>	<u>\$ 3,699,722</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2019	
	Notes Receivable	Trade Receivables
Balance at January 1, 2019	\$ 1,915	\$ 3,991
Net remeasurement of loss allowance	(1,388)	9,334
Amounts written off	<u>-</u>	<u>(7,923)</u>
Balance at December 31, 2019	<u>\$ 527</u>	<u>\$ 5,402</u>
	For the Year Ended December 31, 2018	
	Notes Receivable	Trade Receivables
Balance at January 1, 2018	\$ 2,933	\$ 409
Net remeasurement of loss allowance	(1,018)	3,825
Amounts written off	<u>-</u>	<u>(243)</u>
Balance at December 31, 2018	<u>\$ 1,915</u>	<u>\$ 3,991</u>

10. INVENTORIES

	<u>December 31</u>	
	2019	2018
Merchandise	\$ 3,351	\$ 3,346
Finished goods	630,458	809,397
Work in process	1,075,979	1,633,173
Raw materials and supplies	3,033,873	3,195,287
Inventory in transit	<u>242,723</u>	<u>336,073</u>
	<u>\$ 4,986,384</u>	<u>\$ 5,977,276</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$10,631,630 thousand and \$15,172,408 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of (reversal of inventory write-downs) of \$68,000 thousand and \$(1,000) thousand, and unallocated fixed overhead of \$121,800 thousand and \$107,606 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2019	2018
Investments in subsidiaries	\$ 4,492,005	\$ 4,224,497
Investments in associates	<u>131,594</u>	<u>121,444</u>
	<u>\$ 4,623,599</u>	<u>\$ 4,345,941</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	2019	2018
Hiwin GmbH (“Hiwin Germany”)	\$ 1,589,621	\$ 1,289,175
Hiwin Corporation, U.S.A. (“Hiwin USA”)	546,203	423,670
Hiwin Corporation, Japan (“Hiwin Japan”)	183,404	126,122
Eterbright Solar Corporation (“Eterbright”)	(235,410)	177,607
Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	(53,375)	(42,366)
Hiwin Corporation (“Hiwin Korea”)	(73,892)	(45,214)
Hiwin Technologies (China) Corporation (“Hiwin China”)	1,709,476	1,722,470
Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) (“Matrix Precision”)	120,994	261,205
Hiwin Healthcare Corp.	2,881	2,974
Hiwin S.R.L. (“Hiwin Italy”)	23,882	(63,471)
Matrix Machine Tool (Coventry) Limited (“Matrix”)	<u>315,544</u>	<u>221,274</u>
	4,129,328	4,073,446
Add: Credit balance of investments accounted for using the equity method transferred to non-current liability	<u>362,677</u>	<u>151,051</u>
	<u>\$ 4,492,005</u>	<u>\$ 4,224,497</u>

<u>Name of subsidiary</u>	Proportion of Ownership and Voting Rights	
	2019	2018
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright	74%	74%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision	71%	58%
Hiwin Healthcare Corp.	100%	100%
Hiwin Italy	100%	100%
Matrix	100%	52%

Refer to Note 24 to the Company' consolidated financial statements for the year ended December 31, 2019, for the disclosure of the Company's acquisitions of Matrix.

The Company proceeds 6% of Hiwin Italy's shares which were owned by Hiwin Germany within the amount of 228,540 thousand by return of capital from Hiwin Germany in 2018.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the year ended December 31, 2019 and 2018 was based on the subsidiaries' financial statements which have been audited for the same year.

b. Investments in associates

	December 31	
	2019	2018
Associates that are not individually materials	<u>\$ 131,594</u>	<u>\$ 121,444</u>
	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Profit for the year	\$ 4,567	\$ 17,457
Other comprehensive income (loss) for the year	<u> -</u>	<u> -</u>
Total comprehensive income for the year	<u>\$ 4,567</u>	<u>\$ 17,457</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were calculated based on the financial statements which have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2019				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,774,107	\$ 197,420	\$ -	\$ -	\$ 3,971,527
Buildings and improvements	7,355,912	19,519	(5,822)	3,726,087	11,095,696
Machinery and equipment	11,501,435	526,449	(1,063,872)	1,738,998	12,703,010
Transportation equipment	65,925	3,075	(4,561)	-	64,439
Miscellaneous equipment	1,482,482	148,863	(43,109)	215,375	1,803,611
Construction in progress	<u>3,548,254</u>	<u>505,449</u>	<u>-</u>	<u>(3,726,087)</u>	<u>327,616</u>
	<u>27,728,115</u>	<u>\$ 1,400,775</u>	<u>\$ (1,117,364)</u>	<u>\$ 1,954,373</u>	<u>29,965,899</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,246,111	\$ 196,464	\$ (5,822)	\$ -	1,436,753
Machinery and equipment	4,937,247	1,410,460	(1,053,131)	-	5,294,576
Transportation equipment	19,317	10,307	(4,561)	-	25,063
Miscellaneous equipment	<u>721,104</u>	<u>192,947</u>	<u>(41,370)</u>	<u>-</u>	<u>872,681</u>
	<u>6,923,779</u>	<u>\$ 1,810,178</u>	<u>\$ (1,104,884)</u>	<u>\$ -</u>	<u>7,629,073</u>
	<u>\$ 20,804,336</u>				<u>\$ 22,336,826</u>

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,774,107	\$ -	\$ -	\$ -	\$ 3,774,107
Buildings and improvements	6,422,532	5,623	(1,174)	928,931	7,355,912
Machinery and equipment	9,188,619	987,536	(585,823)	1,911,103	11,501,435
Transportation equipment	36,343	32,482	(2,900)	-	65,925
Miscellaneous equipment	1,151,134	212,192	(50,685)	169,841	1,482,482
Construction in progress	<u>2,349,644</u>	<u>2,127,541</u>	<u>-</u>	<u>(928,931)</u>	<u>3,548,254</u>
	<u>22,922,379</u>	<u>\$ 3,365,374</u>	<u>\$ (640,582)</u>	<u>\$ 2,080,944</u>	<u>27,728,115</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,094,138	\$ 153,148	\$ (1,175)	\$ -	1,246,111
Machinery and equipment	4,375,670	1,138,455	(576,878)	-	4,937,247
Transportation equipment	15,696	6,520	(2,899)	-	19,317
Miscellaneous equipment	<u>603,142</u>	<u>160,041</u>	<u>(42,079)</u>	<u>-</u>	<u>721,104</u>
	<u>6,088,646</u>	<u>\$ 1,458,164</u>	<u>\$ (623,031)</u>	<u>\$ -</u>	<u>6,923,779</u>
	<u>\$ 16,833,733</u>				<u>\$ 20,804,336</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and improvements	
Main buildings	25-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	5-10 years
Miscellaneous equipment	2-15 years

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 134,149
Buildings	<u>104,203</u>
	<u>\$ 238,352</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 101,150</u>
Depreciation charge for right-of-use assets	
Land	\$ 7,891
Buildings	<u>52,418</u>
	<u>\$ 60,309</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 50,676</u>
Non-current	<u>\$ 188,911</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.45%
Buildings	1.45%

c. Material lease-in activities and terms

The Company leases certain land and buildings for the use of plants and offices with lease terms of 1 to 20 years. The lease contract for land specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	\$ <u>435</u>
Expenses relating to low-value asset leases	\$ <u>1,726</u>
Total cash outflow for leases	\$ <u>(64,457)</u>

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

2018

The Company's future minimum lease payments on land, factory building, inventory warehouse and employee dormitory based on operating lease agreements are as follows:

	Amount
<u>December 31, 2018</u>	
2019	\$ 56,000
2020	35,538
2021	26,199
2022	21,033
2023	<u>19,903</u>
	<u>\$ 158,673</u>

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

The Date of Initial Cost Contribution	December 31	
	2019	2018
Within 1 year	\$ 627,135	\$ 1,751,432
1-2 years	1,117,769	824,244
2-5 years	474,295	273,966
More than 5 years	<u>6,918</u>	<u>14,997</u>
	<u>\$ 2,226,117</u>	<u>\$ 2,864,639</u>

In order to master key manufacturing technology, reduce product costs and improve the automation of equipment, the Company designs, develops, and assembles equipment by itself. The prepayments for machinery and equipment include both internally-developed and outsourced equipment.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings</u> (Note 27)		
Loans for export sales	\$ 1,000,000	\$ 800,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>5,490,000</u>	<u>3,750,000</u>
	<u>\$ 6,490,000</u>	<u>\$ 4,550,000</u>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	0.81	0.80
Line of credit borrowings	0.82-0.97	0.82-0.98

b. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings</u> (Note 27)		
Secured loans	\$ 7,199,130	\$ 6,397,130
<u>Unsecured borrowings</u>		
Unsecured loans	<u>100,000</u>	<u>-</u>
	7,299,130	6,397,130
Less: Current portion	<u>(1,238,479)</u>	<u>(1,604,194)</u>
Long-term borrowings	<u>\$ 6,060,651</u>	<u>\$ 4,792,936</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.03-1.76	1.03-1.76
Unsecured loans	1.05	-

16. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Payables for salaries and bonuses	\$ 496,516	\$ 1,052,563
Payables for compensation to employees	149,304	492,363
Payables for annual leave	82,701	115,818
Payables for remuneration to directors	74,652	246,182
Payables for purchases of building and equipment	23,745	23,827
Others	<u>210,793</u>	<u>311,153</u>
	<u>\$ 1,037,711</u>	<u>\$ 2,241,906</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the

difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 316,274	\$ 370,039
Fair value of plan assets	<u>(76,120)</u>	<u>(82,810)</u>
Net defined benefit liabilities	<u>\$ 240,154</u>	<u>\$ 287,229</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	\$ <u>367,662</u>	\$ <u>(87,482)</u>	\$ <u>280,180</u>
Service cost			
Current service cost	3,229	-	3,229
Net interest expense (income)	<u>4,557</u>	<u>(1,092)</u>	<u>3,465</u>
Recognized in profit or loss	<u>7,786</u>	<u>(1,092)</u>	<u>6,694</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,396)	(2,396)
Actuarial loss - changes in demographic assumptions	529	-	529
Actuarial loss - changes in financial assumptions	10,215	-	10,215
Actuarial loss - experience adjustments	<u>7,906</u>	<u>-</u>	<u>7,906</u>
Recognized in other comprehensive income	<u>18,650</u>	<u>(2,396)</u>	<u>16,254</u>
Contributions from the employer	-	(15,899)	(15,899)
Benefits paid	<u>(24,059)</u>	<u>24,059</u>	<u>-</u>
Balance at December 31, 2018	<u>370,039</u>	<u>(82,810)</u>	<u>287,229</u>
Service cost			
Current service cost	2,839	-	2,839
Past service cost	(2,173)	-	(2,173)
Net interest expense (income)	<u>3,616</u>	<u>(773)</u>	<u>2,843</u>
Recognized in profit or loss	<u>4,282</u>	<u>(773)</u>	<u>3,509</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,472)	(3,472)
Actuarial loss - changes in demographic assumptions	355	-	355
Actuarial loss - changes in financial assumptions	8,405	-	8,405
Actuarial profit - experience adjustments	<u>(44,042)</u>	<u>-</u>	<u>(44,042)</u>
Recognized in other comprehensive income	<u>(35,282)</u>	<u>(3,472)</u>	<u>(38,754)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ -	\$ (11,830)	\$ (11,830)
Benefits paid	<u>(22,765)</u>	<u>22,765</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 316,274</u>	<u>\$ (76,120)</u>	<u>\$ 240,154</u> (Concluded)

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

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

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

	December 31	
	2019	2018
Discount rates	0.75%	1.00%
Expected rates of salary increase	2.00%	2.00%
Turnover rate	1.01%	1.14%

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	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (8,361)</u>	<u>\$ (10,234)</u>
0.25% decrease	<u>\$ 8,691</u>	<u>\$ 10,651</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 8,561</u>	<u>\$ 10,518</u>
0.25% decrease	<u>\$ (8,281)</u>	<u>\$ (10,160)</u>
Turnover rate		
10% increase	<u>\$ (325)</u>	<u>\$ (556)</u>
10% decrease	<u>\$ 327</u>	<u>\$ 559</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 4,897</u>	<u>\$ 5,925</u>
The average duration of the defined benefit obligation	11 years	11 years

18. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,579</u>	<u>300,562</u>
Shares issued	<u>\$ 3,095,789</u>	<u>\$ 3,005,620</u>

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

On May 10, 2018, the Company's board of directors resolved to issue 12,000 thousand ordinary shares, with a par value of NT\$10, for a consideration of NT\$250 per share. On June 28, 2018, the above transaction was approved by the FSC, and the subscription base date was determined as at September 5, 2018 by the board of directors.

b. Capital surplus

The capital surplus arising from shares issued in excess of par may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Capital surplus arising from expired employee share option (issuance of ordinary shares for cash) is used to offset a deficit only.

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 28, 2019 and, in that meeting resolved amendments to the Articles of Incorporation of the Company, under the dividend policy as set forth in the amended Articles, where distributed profit in every fiscal year, the profit shall be utilized for first offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal capital reserve equal to the Company's paid-in capital and setting aside special reserve in accordance with the laws and regulations, then setting less than 6% (inclusive) as dividends. The Company's profit may be distributed in cash dividend and/or stock dividend, provided that the ratio for stock dividend shall not exceed two-thirds of the Company's dividends and bonus 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 the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such

distribution shall be submitted to the shareholder's meeting. For the policies on distribution of employees' compensation and remuneration of directors after the amendment, refer to c. Employees' compensation and remuneration of directors in Note 19-c.

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

The appropriations of earnings for 2018 and 2017 which have been approved in the shareholders' meetings on June 28, 2019, and June 27, 2018, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 539,226	\$ 273,802		
Reversal special reserve	(250,940)	(14,593)		
Cash dividends	2,103,934	980,551	\$ 7	\$ 3.5
Share dividends	90,169	84,047	0.3	0.3

As of the date the financial report was authorized for issue, the appropriation and distribution of 2019 earnings of the Company have not yet been proposed by the board of directors.

The appropriation of earnings for 2019 is subject to the resolution in the shareholders' meeting to be held on June 19, 2020.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Interest on bank loans	\$ 100,109	\$ 80,098
Interest on lease liabilities	<u>3,581</u>	<u>-</u>
	<u>\$ 103,690</u>	<u>\$ 80,098</u>

Information about capitalized interest

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Capitalized interest	\$ 43,930	\$ 46,125
Capitalization rates	1.38%-1.48%	1.38%-1.46%

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2019</u>			
Short-term employee benefits			
Salary	\$ 1,610,256	\$ 612,210	\$ 2,222,466
Labor and health insurance	219,491	67,966	287,457
Post-employment benefits			
Defined contribution plans	91,072	34,843	125,915
Defined benefit plans (Note 17)	3,130	379	3,509
Remuneration to directors	-	76,102	76,102
Other employee benefits	161,705	34,798	196,503
Depreciation expenses	1,488,905	173,258	1,662,163
Amortization expenses	24,063	4,523	28,586

For the Year Ended December 31, 2018

Short-term employee benefits			
Salary	3,595,463	1,053,752	4,649,215
Labor and health insurance	253,839	70,612	324,451
Post-employment benefits			
Defined contribution plans	111,379	32,363	143,742
Defined benefit plans (Note 17)	6,158	536	6,694
Remuneration to directors	-	261,286	261,286
Other employee benefits	204,722	59,046	263,768
Depreciation expenses	1,168,791	162,021	1,330,812
Amortization expenses	12,281	5,569	17,850

As of 2019 and 2018, the Company had an average of 5,008 and 5,299 employees, respectively. There were 6 directors who did not serve concurrently as employees for both years. The head counts were the same as those used as basis in the calculation of employee benefit expense.

As of 2019 and 2018, the average of employee benefits expense were \$567 and \$1,018 thousand, respectively; as of 2019 and 2018, the average of employee salaries were \$444 and \$878 thousand, respectively, and the change of the average employee salaries was 49%.

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 25, 2020 and March 26, 2019, respectively, were as follows:

Cash	For the Year Ended December 31			
	2019		2018	
	Accrual rate	Amount	Accrual rate	Amount
Employees' compensation	5.9%	\$ 149,304	7.0%	\$ 492,363
Remuneration of directors	2.9%	74,652	3.5%	246,182

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 299,636	\$ 623,318
Income tax of unappropriated earnings	58,654	137,142
Adjustments for prior years	25,718	69,297
Deferred tax		
In respect of the current year	75,561	61,604
Adjustments to deferred tax attributable to changes in tax rates and laws	-	6,980
Income tax expense recognized in profit or loss	<u>\$ 459,569</u>	<u>\$ 898,341</u>

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

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 464,977	\$ 1,258,120
Nondeductible expenses in determining taxable income	348	1,490
Tax-exempt income	(58,948)	(262,407)
Others	3,707	(1,003)
Income tax on unappropriated earnings	58,654	137,142
Investment tax credits used	<u>(117,490)</u>	<u>(370,877)</u>
Current tax	351,248	762,465
Unrecognized deductible temporary differences	82,603	59,599
Adjustments to deferred tax attributable to changes in tax rates and laws	-	6,980
Adjustments for prior years' tax	<u>25,718</u>	<u>69,297</u>
Income tax expense recognized in profit or loss	<u>\$ 459,569</u>	<u>\$ 898,341</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

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

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (33,482)	\$ (8,437)
Remeasurement of defined benefit plans	7,751	(3,251)
Effect of change in tax rate	<u>-</u>	<u>(11,232)</u>
	<u>\$ (25,731)</u>	<u>\$ (22,920)</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 235,579	\$ (114,105)	\$ -	\$ 121,474
Defined benefit obligations	26,832	(1,664)	(7,751)	17,417
Allowance for inventory devaluation	32,000	13,600	-	45,600
Impairment loss on financial assets	7,022	-	-	7,022
Payable for annual leave	23,164	(6,624)	-	16,540
FVTPL financial liabilities	1,099	(1,099)	-	-
Provisions	4,979	(1,908)	-	3,071
Exchange difference on foreign operations	68,974	-	33,482	102,456
Unrealized foreign currency exchange loss	-	14,705	-	14,705
Others	<u>33</u>	<u>(1)</u>	<u>-</u>	<u>32</u>
	<u>\$ 399,682</u>	<u>\$ (97,096)</u>	<u>\$ 25,731</u>	<u>\$ 328,317</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 412,487	\$ (13,280)	\$ -	\$ 399,207
Unrealized foreign currency exchange gain	8,766	(8,766)	-	-
FVTPL financial assets	<u>-</u>	<u>511</u>	<u>-</u>	<u>511</u>
	<u>\$ 421,253</u>	<u>\$ (21,535)</u>	<u>\$ -</u>	<u>\$ 399,718</u>

For the Year Ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 101,499	\$ 134,080	\$ -	\$ 235,579
Doubtful debts	25	(25)	-	-
Defined benefit obligations	21,609	(180)	5,403	26,832
Allowance for inventory devaluation	27,370	4,630	-	32,000
Impairment loss on financial assets	8,226	(1,204)	-	7,022
Payable for annual leave	17,255	5,909	-	23,164
FVTPL financial liabilities	423	676	-	1,099
Provisions	2,791	2,188	-	4,979
Exchange difference on foreign operations	51,457	-	17,517	68,974
Others	47	(14)	-	33
	<u>\$ 230,702</u>	<u>\$ 146,060</u>	<u>\$ 22,920</u>	<u>\$ 399,682</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 201,265	\$ 211,222	\$ -	\$ 412,487
Unrealized foreign currency exchange gain	5,344	3,422	-	8,766
	<u>\$ 206,609</u>	<u>\$ 214,644</u>	<u>\$ -</u>	<u>\$ 421,253</u>

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

	December 31	
	2019	2018
Investment loss	<u>\$ 1,910,137</u>	<u>\$ 1,497,120</u>

- e. Information about tax-exemption

As of December 31, 2019, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Cash injection in 2009	January 2016 to December 2020

- f. Income tax assessments

The tax returns of the Company through 2017 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net profit	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year	\$ 1,865,316	309,579	<u>\$ 6.03</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u> -</u>	<u> 962</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 1,865,316</u>	<u> 310,541</u>	<u>\$ 6.01</u>
<u>For the Year Ended December 31, 2018</u>			
Basic earnings per share			
Profit for the year	\$ 5,392,257	301,214	<u>\$17.90</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u> -</u>	<u> 2,358</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 5,392,257</u>	<u> 303,572</u>	<u>\$17.76</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 13, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 18.44</u>	<u>\$ 17.90</u>
Diluted earnings per share	<u>\$ 18.29</u>	<u>\$ 17.76</u>

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

22. ACQUISITION OF SUBSIDIARY WILL OBTAINED CONTROL

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Matrix	Design, integrated application, research, development, manufacture and sale of thread forming machinery	June 29, 2018	52	<u>\$240,480</u>

Matrix was acquired in order to obtain the key technologies of the manufacturing equipment. For the details about the acquisition of Matrix, refer to Note 24 to the consolidated financial statements for the year ended December 31, 2019.

23. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On July 1, 2019, the Company acquired additional shares of Matrix, increasing its continuing interest from 52% to 100%.

On January 14, April 1 and April 30, 2019, the Company acquired additional shares of Matrix Precision, increasing its continuing interest from 58% to 71%.

On November 30, 2018, the Company subscribed for additional new shares of Matrix Precision at a percentage different from its existing ownership percentage, increasing its continuing interest from 48% to 58%.

On December 31, 2018, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 65% to 74%.

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

24. CAPITAL MANAGEMENT

To support the need to expand and enhance the plant and equipment, the Company has to maintain appropriate amount of capital. Therefore, the capital management of the Company focuses on ensuring that it has the necessary financial resources and operation plans to support operating funds, capital expenditure, research and development, repayment of debt and dividend payment in the future 12 months.

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

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,584	\$ 282
Financial assets at amortized cost (1)	5,739,837	8,480,801
Financial assets at FVTOCI		
Equity instruments	1,023,074	930,840
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	29	5,775
Financial liabilities at amortized cost (2)	16,894,262	18,415,158

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

Net investment in foreign operations is a strategic investment. Therefore, the Company does not hedge its investment in foreign operations.

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

Sensitivity analysis

The Company was mainly exposed to the USD, EUR, JPY and CNY.

The sensitivity analysis of foreign currency risk used in reporting foreign currency risk internally to key management personnel mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 1% increase movement in the levels of the NTD against the relevant foreign currency, the post-tax losses for the years ended December 31, 2019 and 2018 would have decreased by \$40,909 thousand and \$52,097 thousand, respectively.

b) Interest rate risk

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

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

	<u>December 31</u>	
	2019	2018
Fair value interest rate risk		
Deposits in bank	\$ 222,590	\$ -
Lease liabilities	239,587	-
Short-term borrowings	2,020,000	-

(Continued)

	December 31	
	2019	2018
Cash flow interest rate risk		
Deposits in bank	\$ 798,153	\$ 1,289,174
Short-term borrowings	4,470,000	4,550,000
Long-term borrowings	7,299,130	6,397,130
		(Concluded)

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2019 and 2018 would have decreased by \$87,768 thousand and \$77,264 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the counterparties are reputable organizations; thus, the Company is not expected to have a significant credit risk.

Trade receivables consisted of a large number of customers, spread across diverse industries. On-going credit evaluation is performed on the financial condition of trade receivables.

The Company's credit risk by geographical locations was mainly concentrated in Asia, which accounted for 82% of the total trade receivables as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized bank loan facilities of \$4,293,761 thousand and \$5,902,201 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,105,032	\$ -	\$ -
Lease liabilities	53,735	97,882	107,515
Fixed interest rate liabilities	2,020,000	-	-
Variable interest rate liabilities	<u>5,708,479</u>	<u>3,153,088</u>	<u>2,907,563</u>
	<u>\$ 10,887,246</u>	<u>\$ 3,250,970</u>	<u>\$ 3,015,078</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Lease liabilities	<u>\$ 53,735</u>	<u>\$ 97,882</u>	<u>\$ 44,798</u>	<u>\$ 44,798</u>	<u>\$ 17,919</u>

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2018</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 7,455,153	\$ -	\$ -
Variable interest rate liabilities	<u>6,154,194</u>	<u>3,069,057</u>	<u>1,723,879</u>
	<u>\$ 13,609,347</u>	<u>\$ 3,069,057</u>	<u>\$ 1,723,879</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ -</u>

26. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other note, are summarized as follow:

- a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hiwin Germany	Subsidiaries
Hiwin USA	Subsidiaries
Hiwin Japan	Subsidiaries
Eterbright	Subsidiaries
Hiwin Singapore	Subsidiaries
Hiwin Korea	Subsidiaries
Hiwin China	Subsidiaries
Matrix Precision	Subsidiaries
Hiwin Healthcare Corp.	Subsidiaries

(Continued)

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hiwin Italy	Subsidiaries
Matrix	Subsidiaries
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associates
Hiwin Mikrosystem	Others
Hiwin Investment and Holding Corporation	Others
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Others

(Concluded)

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
1) Sales of goods		
Hiwin China	\$ 1,564,865	\$ 2,423,599
Subsidiaries	2,808,567	5,255,732
Others	<u>42,276</u>	<u>89,527</u>
	<u>\$ 4,415,708</u>	<u>\$ 7,768,858</u>

Due to the specific differences of the products, the selling prices for related parties and those for third parties are not comparable. The selling price is primarily quoted at cost plus a reasonable margin according to the market price.

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
2) Purchases of goods		
Others	\$ 155,051	\$ 420,193
Subsidiaries	<u>39,318</u>	<u>48,820</u>
	<u>\$ 194,369</u>	<u>\$ 469,013</u>

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

3) Other operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 7,613</u>	<u>\$ 1,213</u>

	For the Year Ended December 31	
	2019	2018
Non-operating income - other income		
Subsidiaries	\$ 33,855	\$ 16,482
Others	<u>2,347</u>	<u>240</u>
	<u>\$ 36,202</u>	<u>\$ 16,722</u>
Manufacturing and operating expenses		
Subsidiaries	\$ 10,115	\$ 13,841
Others	2,006	6,381
Associates	<u>-</u>	<u>4,226</u>
	<u>\$ 12,121</u>	<u>\$ 24,448</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 18,000</u>	<u>\$ 34,480</u>
	December 31	
	2019	2018
4) Trade receivables		
Hiwin China	\$ 601,582	\$ 783,464
Hiwin Japan	249,700	757,241
Subsidiaries	<u>774,891</u>	<u>1,597,703</u>
	<u>\$ 1,626,173</u>	<u>\$ 3,138,408</u>
5) Other receivables (classified as other current assets)		
Subsidiaries	\$ 7,220	\$ 5,207
Others	<u>93</u>	<u>-</u>
	<u>\$ 7,313</u>	<u>\$ 5,207</u>
6) Trade payables		
Subsidiaries	\$ 21,050	\$ 18,885
Others	<u>6,362</u>	<u>16,057</u>
	<u>\$ 27,412</u>	<u>\$ 34,942</u>
7) Other payables		
Subsidiaries	\$ 7,656	\$ 2,475
Others	<u>58</u>	<u>1,698</u>
	<u>\$ 7,714</u>	<u>\$ 4,173</u>
8) Prepayments for machinery and equipment		
Subsidiaries	<u>\$ 165,065</u>	<u>\$ 101,562</u>

c. Loans to related parties

	December 31	
	2019	2018
<u>Other receivables (classified as other current assets)</u>		
Hiwin Japan	\$ 161,664	\$ -
Hiwin Italy	<u>133,996</u>	<u>55,582</u>
	<u>\$ 295,660</u>	<u>\$ 55,582</u>
	For the Year Ended December 31	
	2019	2018

Interest income

Subsidiaries	<u>\$ 4,344</u>	<u>\$ 1,338</u>
--------------	-----------------	-----------------

The Company provided Hiwin Japan and Hiwin Italy with short-term loans at rates comparable to market interest rates.

d. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 78,122	\$ 44,206
Others	<u>5,400</u>	<u>-</u>
	<u>\$ 83,522</u>	<u>\$ 44,206</u>

e. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Subsidiaries	\$ -	\$ 5,075	\$ -	\$ 564
Others	<u>-</u>	<u>300</u>	<u>-</u>	<u>20</u>
	<u>\$ -</u>	<u>\$ 5,375</u>	<u>\$ -</u>	<u>\$ 584</u>

f. Lease arrangements

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

	For the Year Ended December 31, 2019
<u>Acquisition of right-of-use assets</u>	
Others	\$ <u>8,303</u>
	December 31, 2019

<u>Lease liabilities</u>	
Others	\$ <u>6,304</u>

For the Year Ended December 31	
2019	2018

<u>Finance costs</u>		
Others	\$ <u>44</u>	\$ <u>-</u>

<u>Lease expense</u>		
Others	\$ <u>-</u>	\$ <u>2,347</u>

g. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries as of December 31, 2019, refer to Table 2.

h. Acquisition of additional interest in related parties

	For the Year Ended December 31	
	2019	2018
Matrix	\$ 220,864	\$ 240,480
Matrix Precision	81,260	154,874
Eterbright	-	673,205
Hiwin Italy	<u>-</u>	<u>228,540</u>
	<u>\$ 302,124</u>	<u>\$ 1,297,099</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 171,300	\$ 421,983
Post-employment benefits	556	814
Share-based payments	<u>-</u>	<u>2,281</u>
	<u>\$ 171,856</u>	<u>\$ 425,078</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Property, plant and equipment	<u>\$ 14,262,145</u>	<u>\$ 12,340,522</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$149,030 thousand and \$271,350 thousand, respectively.

b. As of December 31, 2019 and 2018, commitment for acquisition of property, plant and equipment amounted to \$698,246 thousand and \$1,731,391 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 17,190	29.980	\$ 515,346	\$ 35,681	30.715	\$ 1,095,945
EUR	28,838	33.59	968,669	45,941	35.20	1,617,117
JPY	1,940,254	0.2760	535,510	3,244,356	0.2782	902,580
CNY	754,848	4.305	3,249,621	796,802	4.472	3,563,299
Non-monetary items						
USD	26,174	29.980	784,705	24,252	30.715	744,899
EUR	57,623	33.59	1,935,546	51,540	35.20	1,814,220
ILS	11,397	8.666	98,764	10,870	8.152	88,615
KRW	-	0.0262	-	339,891	0.0278	9,432
CNY	413,485	4.305	1,780,053	422,880	4.472	1,891,120
JPY	965,910	0.2760	266,591	1,102,151	0.2782	306,618
GBP	7,134	39.36	280,805	4,065	38.88	158,046
<u>Financial liabilities</u>						
Monetary items						
USD	3,107	29.980	93,142	10,011	30.715	307,501
EUR	677	33.59	22,734	4,180	35.20	147,127
JPY	104,526	0.2760	28,849	695,135	0.2782	193,387
CNY	2,501	4.305	10,765	4,209	4.472	18,823
Non-monetary items						
SGD	1,776	22.28	39,569	1,046	22.48	23,505
KRW	1,672,635	0.0262	43,773	-	0.0278	-

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.912	\$ (3,819)	30.149	\$ 23,850
JPY	0.2837	4,789	0.2730	41,471
EUR	34.61	(42,458)	35.61	22,004
CNY	4.472	<u>(127,210)</u>	4.560	<u>(31,504)</u>
		<u>\$ (168,698)</u>		<u>\$ 55,821</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Notes 7 and 25)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 3)
													Item	Value		
0	The Company	Hiwin Japan	Other receivables from related parties	Yes	\$ 174,833	\$ 161,664	\$ 161,664	1.76%	1	Sales \$1,449,817	-	\$ -	-	\$ -	\$ 3,561,488	\$ 7,122,976
0	The Company	Hiwin Italy	Other receivables from related parties	Yes	295,479	133,996	133,996	1.76%	1	Sales 771,056	-	-	-	-	3,561,488	7,122,976
0	The Company	Matrix	Other receivables from related parties	Yes	39,360	39,360	-	1.76%	2	-	Operating capital	-	-	-	3,561,488	7,122,976
1	Matrix Precision	Luren Shanghai	Other receivables from related parties	Yes	16,354	-	-	1.895%	1	Sales 65,796	-	-	-	-	- (Note 5)	- (Note 5)

Note 1: The total amount for lending to a company for funding shall not exceed 15% of the net assets of the Company and Matrix Precision in the latest financial report. When the lending is for business relationship by the Company and Matrix Precision, the lending shall be subject to not only the restriction set forth in the above instructions but also the principle that the business has occurred. The amount for lending to a company for funding shall not exceed the maximum amount of sales or purchases in the latest year or the latest twelve months when the lending occurs.

Note 2: Nature of the loan funds:
1. Business relationship.
2. Necessary for short-term financing.

Note 3: For the financing provided by each subsidiary, the maximum amount should not exceed 30% of the Company's and Matrix Precision's net assets as shown in their each latest financial statements.

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

Note 5: Matrix Precision has a negative balance of net assets as of December 31, 2019; therefore, the financing limit is \$0.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currency)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Matrix	Subsidiary	\$ 2,374,325	\$ 78,720 (GBP 2,000)	\$ 78,720 (GBP 2,000)	\$ -	\$ -	0.3	\$ 8,310,139	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	2,374,325	335,900 (EUR 10,000)	335,900 (EUR 10,000)	108,400 (EUR 3,227)	-	1.4	8,310,139	Yes	-	-
0	The Company	Eterbright	Subsidiary	2,374,325	1,900,000	1,900,000	1,434,000	-	8.0	8,310,139	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	2,374,325	209,860 (USD 7,000)	119,920 (USD 4,000)	82,445 (USD 2,750)	-	0.5	8,310,139	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	2,374,325	209,860 (USD 7,000)	209,860 (USD 7,000)	151,399 (USD 5,050)	-	0.9	8,310,139	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	2,374,325	1,190,664 (JPY 4,314,000)	595,332 (JPY 2,157,000)	594,965 (JPY 2,155,671)	-	2.5	8,310,139	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	2,374,325	1,000,000	600,000	599,000	-	2.5	8,310,139	Yes	-	-

Note 1: The maximum is 10% of the net assets of the Company as shown in the latest financial statements. However, the amount of guarantee to subsidiaries is not subject to the above restrictions after the approval of the board of director, and the amount shall not exceed 50% of the Company's net assets in the latest financial statements.

Note 2: The maximum amount of the total guarantee is 35% of the Company's net assets as shown in its latest financial statements.

Note 3: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on December 31, 2019.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Government bonds</u>							
	Central Government Bonds 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,922	-	\$ 2,922	
	<u>Share capital</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,375,113	787,509	8	787,509	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,000,000	28,010	5	28,010	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,500	-	2,500	
	Sunengine	-	Financial assets at FVTOCI - non-current	2,063,681	-	10	-	
King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-		
Kaland	-	Financial assets at FVTOCI - non-current	323,289	205,055	19	205,055		
Hiwin Germany	<u>Share capital</u>							
	Hiwin (Schweiz) GmbH	-	Financial assets at FVTOCI - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

Note: Information about the investment in subsidiary and associates; please see Tables 7 and 8.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars and Foreign Currency)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Hiwin China	Factory in Suzhou Industrial Park	2019.3.4	\$ 814,528 (CNY 176,000)	\$ 196,768 (CNY 44,000)	China Nuclear Industry Fifth Construction Co., Ltd.	None	-	-	-	\$ -	Contractors bid	Factory Construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Hiwin Germany	Subsidiary	Sale	\$ (1,184,755)	(8)	O/A 90 days	\$ -	-	\$ 229,547	5	
	Hiwin China	Subsidiary	Sale	(1,564,865)	(11)	O/A 120 days	-	-	601,582	13	
	Hiwin Japan	Subsidiary	Sale	(560,400)	(4)	O/A 150 days	-	-	249,700	5	
	Hiwin Italy	Subsidiary	Sale	(457,867)	(3)	O/A 180 days	-	-	307,643	7	
	Hiwin USA	Subsidiary	Sale	(229,365)	(2)	O/A 120 days	-	-	53,640	1	
	Hiwin Korea	Subsidiary	Sale	(243,173)	(2)	O/A 180 days	-	-	121,025	3	
	Hiwin Mikrosystem	Others	Purchase	155,051	3	Net 90 days after monthly closing	-	-	(6,362)	-	
Hiwin Germany	The Company	Parent Company	Purchase	1,184,755	55	O/A 90 days	-	-	(229,547)	(82)	
	Hiwin Mikrosystem	Others	Purchase	164,389	8	O/A 90 days	-	-	(20,181)	(7)	
	Hiwin S.R.O	Associate	Sale	(189,784)	(6)	O/A 45 days	-	-	15,724	13	
Hiwin China	The Company	Parent Company	Purchase	1,564,865	89	O/A 120 days	-	-	(601,582)	(98)	
Hiwin Japan	The Company	Parent Company	Purchase	560,400	75	O/A 150 days	-	-	(249,700)	(91)	
Hiwin Italy	The Company	Parent Company	Purchase	457,788	70	O/A 180 days	-	-	(307,643)	(66)	
Hiwin USA	The Company	Parent Company	Purchase	229,365	48	O/A 120 days	-	-	(53,640)	(46)	
	Hiwin Mikrosystem	Others	Purchase	147,908	31	O/A 90 days	-	-	(56,031)	(48)	
Hiwin Korea	The Company	Parent Company	Purchase	243,173	75	O/A 180 days	-	-	(121,025)	(96)	

Note: Unrealized gains with Hiwin China are \$70,577 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 249,700	1.11	\$ -	-	\$ 56,761	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	161,901	-	-	-	-	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	229,547	3.79	-	-	161,363	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	307,643	0.98	-	-	144,078	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	134,193	-	-	-	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	601,582	2.26	-	-	300,003	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	121,025	1.44	-	-	36,004	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
The Company	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,589,621	\$ 196,943	\$ 196,943	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	546,203	59,444	59,444	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	183,404	(38,652)	(38,652)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	131,594	11,418	4,567	Investments accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	2,983,556	2,983,556	171,449,427	74	(235,410)	(556,852)	(413,017)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(53,375)	(16,550)	(16,550)	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(73,892)	(53,815)	(53,815)	Subsidiary
	Matrix Precision	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	603,244	521,983	21,710,747	71	120,994	(229,449)	(160,839)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,881	(22)	(22)	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	23,882	15,114	15,114	Subsidiary
	Matrix	United Kingdom	Design, integrated application, research, development, manufacture and sale of thread forming machinery	461,344	240,480	4,649,500	100	315,544	(29,229)	(30,575)	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	60,551 (EUR 1,803)	(Note 1)	(Note 1)	Investments accounted for using the equity method
Matrix Precision	Luren USA	United States of America	Sale of gear cutting tools and machinery	14,721	14,721	-	-	(Note 2)	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Luren USA has been liquidated in June 2019.

Note 3: Information on investment in Mainland China, please see Table 8.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
YIFU Finance	Finance lease	\$ 252,222 (USD 8,413)	(Note 1)	\$ 139,733 (USD 5,017)	\$ -	\$ -	\$ 139,733 (USD 5,017)	\$ 269,125	19	(Note 3)	\$ 205,055	\$ 75,617 (USD 2,424)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,498,040 (CNY 300,000)	-	-	1,498,040 (CNY 300,000)	(42,014)	100	\$ 42,014 (Note 4)	1,709,476	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	24,457	71	16,932 (Note 4)	7,846	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (CNY 2,000)	(Note 2)	-	9,076 (CNY 2,000)	-	9,076 (CNY 2,000)	(3,505)	71	(1,257) (Note 4)	3,723	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Company	\$ 1,637,773 (USD 5,017 and CNY 300,000)	\$ 1,576,310 (USD 9,500 and CNY 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and CNY 2,000)	\$ 23,123 (USD 439 and CNY 2,000)	\$ - (Notes 5 and 6)

Note 1: The investment was made through a corporation established in a third country, which, in turn, invested in companies located in Mainland China.

Note 2: The investment in Mainland China was made directly.

Note 3: The investment in Kaland is financial asset measured at FVTOCI; thus, no investment gain or loss is recognized.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 5: According to the "Regulation on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of Ministry of Economic Affairs, the investment in Mainland China has no maximum limitation since the Corporation had acquired the Industrial Development Bureau's approval of the Corporation's establishment of an operating headquarters in Taiwan. The upper limit investment amount of Matrix Precision is 60% of the net assets of Matrix Precision.

Note 6: Matrix Precision has a negative balance of net assets as of December 31, 2019; therefore, the financing limit in Mainland China is \$0.

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HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars and Foreign Currency)**

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			\$ 325
Foreign currency			<u>1,291</u>
			<u>1,616</u>
Cash in banks			
Checking accounts			65,773
Demand deposits			343,444
Foreign deposits			
USD	1,150	29.980	34,479
EUR	4,357	33.59	146,366
CNY	33,712	4.305	145,130
JPY	449,807	0.2760	124,147
GBP	117	39.36	<u>4,587</u>
			<u>863,926</u>
Cash equivalents			
Foreign time deposits			
CNY	43,000	4.305	185,115
USD	1,250	29.980	<u>37,475</u>
			<u>222,590</u>
			<u>\$ 1,088,132</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Non-related parties	
Company 16	\$ 6,220
Company 19	5,827
Company 11	3,101
Others (Note)	<u>37,596</u>
	52,744
Less: Allowance for impairment loss	<u>(527)</u>
	<u>\$ 52,217</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 28	\$ 922,053
Company 30	264,278
Company 14	248,008
Company 21	185,819
Company 25	185,133
Company 22	169,393
Company 9	155,951
Others (Note)	<u>828,153</u>
	2,958,788
Less: Allowance for impairment loss	<u>(5,402)</u>
	<u>\$ 2,953,386</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Amount	Market Price (Note 1)
Merchandise	\$ 3,351	\$ 3,351
Finished goods	630,458	1,182,951
Work in process	1,075,979	1,075,979
Raw materials	3,033,873	3,033,873
Inventories in transit	<u>242,723</u>	<u>242,723</u>
	<u>\$ 4,986,384</u>	<u>\$ 5,538,877</u>

Note 1: Inventories are stated at the lower of cost or net realizable.

Note 2: Inventories are not provided as a collateral.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	
Hiwin Mikrosystem	9,516,113	\$ 719,894	-	\$ 75,511	141,000	\$ 7,896	9,375,113	\$ 787,509	None
Sunengine	2,063,681	-	-	-	-	-	2,063,681	-	None
Taichung International Country Club	1	2,620	-	-	-	120	1	2,500	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
Kaland	323,289	208,326	-	-	-	3,271	323,289	205,055	None
Ever Fortune	-	-	2,000,000	36,000	-	7,990	2,000,000	28,010	None
		<u>\$ 930,840</u>		<u>\$ 111,511</u>		<u>\$ 19,277</u>		<u>\$ 1,023,074</u>	

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2019		Additions		Decrease		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and other comprehensive Income (loss) of Subsidiaries and Associates in Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Unrealized Gain	Balance, December 31, 2019			Net Equity Value	Original Investment Cost December 31, 2019	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	\$ 1,289,175	-	\$ -	-	\$ -	\$ -	\$ 196,943	\$ (83,241)	\$ 186,744	-	100	\$ 1,589,621	\$ 1,806,734	\$ 224,257	Nil
Hiwin USA	2,148,000	423,670	-	-	-	-	-	59,444	(15,858)	78,947	2,148,000	100	546,203	631,394	353,844	Nil
Hiwin Japan	54,200	126,122	-	-	-	-	-	(38,652)	(1,376)	97,310	54,200	100	183,404	266,591	817,642	Nil
Eterbright (Note)	171,449,427	177,607	-	-	-	-	-	(413,017)	-	-	171,449,427	74	(235,410)	(235,410)	2,983,556	Nil
Hiwin Singapore (Note)	5,000,000	(42,366)	-	-	-	-	-	(16,550)	487	5,054	5,000,000	100	(53,375)	(39,569)	117,550	Nil
Hiwin Korea (Note)	1,440,000	(45,214)	-	-	-	-	-	(53,815)	610	24,527	1,440,000	100	(73,892)	(43,773)	202,945	Nil
Hiwin China	-	1,722,470	-	-	-	-	-	(42,014)	(69,052)	98,072	-	100	1,709,476	1,780,053	1,498,040	Nil
Matrix Precision	17,647,761	261,205	4,062,986	81,260	-	-	(63,413)	(158,172)	(4)	118	21,710,747	71	120,994	(43,847)	603,244	Nil
Hiwin Healthcare Corp.	100,000	2,974	-	-	-	-	-	(22)	(71)	-	100,000	100	2,881	2,881	3,108	Nil
Hiwin Italy	-	(63,471)	-	-	-	-	-	13,567	(5,942)	79,728	-	100	23,882	128,811	296,580	Nil
Matrix	2,400,000	221,274	2,249,500	220,864	-	-	(97,502)	(30,575)	1,456	27	4,649,500	100	315,544	237,588	461,344	Nil
		<u>\$ 4,073,446</u>		<u>\$ 302,124</u>		<u>\$ -</u>	<u>\$ (160,915)</u>	<u>\$ (482,863)</u>	<u>\$ (172,991)</u>	<u>\$ 570,527</u>			<u>\$ 4,129,328</u>	<u>\$ 4,491,453</u>	<u>\$ 7,562,110</u>	
Investments in associates																
Mega-Fabs	240,000	<u>\$ 121,444</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,567</u>	<u>\$ 5,583</u>	<u>\$ -</u>	240,000	40	<u>\$ 131,594</u>	<u>\$ 98,764</u>	<u>\$ 42,444</u>	Nil

Note: The balance as of December 31, 2019 was accounted as credit balance for investments accounted for using the equity method.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

	Adjustments Arising from Initial application of IFRS 16 Balance at January 1, 2019	Additions	Disposals	Balance at December 31, 2019
Cost				
Land	\$ 142,040	\$ -	\$ -	\$ 142,040
Building	<u>127,042</u>	<u>101,150</u>	<u>(89,849)</u>	<u>138,343</u>
Total cost	<u>269,082</u>	<u>\$ 101,150</u>	<u>\$ (89,849)</u>	<u>280,383</u>
Accumulated depreciation				
Land	-	\$ 7,891	\$ -	7,891
Building	<u>-</u>	<u>52,418</u>	<u>(18,278)</u>	<u>34,140</u>
Total accumulated depreciation	<u>-</u>	<u>\$ 60,309</u>	<u>\$ (18,278)</u>	<u>42,031</u>
Right-of-use assets	<u>\$ 269,082</u>			<u>\$ 238,352</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Loans for export sales			
The Export-Impure Bank of the Republic of China, Taichung Branch	2020.12.18	0.81	<u>\$ 1,000,000</u>
Line of credit borrowing			
Bank of Taiwan, Taichung Industrial Park Branch	2020.3.12	0.93	1,400,000
Mizuho Bank Ltd., Taichung Branch	2020.3.27	0.82	870,000
Sumitomo Mitsui Banking Corporation, Taipei Branch	2020.2.19	0.90	870,000
Land Bank of Taiwan, Taichung Branch	2020.2.26	0.90	800,000
Bank of China, Taipei Branch	2020.1.17	0.85	600,000
HSBC Bank (Taiwan) Limited, Nankang Branch	2020.3.2	0.93	400,000
Bangkok Bank Public Company Ltd., Taichung Branch	2020.3.18	0.95	350,000
China Construction Bank Corporation Limited, Taipei Branch	2020.1.13	0.97	<u>200,000</u>
			<u>5,490,000</u>
			<u>\$ 6,490,000</u>

Note: The date of maturity date is the last date of multiple loans.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNREALTED PARTIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	<u>\$ 2,031,328</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWING
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2031.11.21	Repayable monthly form July 16, 2004, in 36, 48, 60, 144 and 180 installments	1.30-1.76	\$ 960,479	\$ 5,733,651	\$ 6,694,130
The Export-Impure Bank of the Republic of China, Taichung Branch	2016.2.1-2023.12.28	Repayable semiannually from August 1, 2017, in 10 installments	1.03-1.05	178,000	327,000	505,000
Unsecured loan						
KGI Bank, Shizheng Branch	2019.2.1-2021.2.1	Repayable every 120 days, due for renewal	1.05	<u>100,000</u>	<u>-</u>	<u>100,000</u>
				<u>\$ 1,238,479</u>	<u>\$ 6,060,651</u>	<u>\$ 7,299,130</u>

Note 1: Property, plant and equipment pledged as collateral in the amount of 14,262,145 thousand for bank borrowings.

Note 2: The period indicates the earliest loan date and the last due date of the multiple borrowings.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	20 years	1.45	\$ 135,082
Building	1 to 6 years	1.45	<u>104,505</u>
			239,587
Less: Current portion			<u>(50,676)</u>
Lease liabilities - non-current			<u>\$ 188,911</u>

HIWIN TECHNOLOGIES CORPORATION

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 16,273	\$ 10,796,470
Ballscrews	About 781	2,510,491
Other		<u>1,526,006</u>
		14,832,967
Less: Sales return		(16)
Sales discount		<u>(1,632)</u>
Sales		<u>\$ 14,831,319</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 2,851,865
Raw materials purchased	3,660,676
Sale of raw materials	(49,650)
Raw materials scrapped	(7,582)
Raw materials, end of year	<u>(2,563,836)</u>
Raw materials used	\$ 3,891,473
Supplies, beginning of year	760,036
Supplies purchased	1,527,305
Sale of supplies	(47,227)
Transferred to manufacturing expense and prepayments for machinery and equipment	(1,409,232)
Supplies, end of year	<u>(830,882)</u>
Supplies used	-
Direct labor	1,650,990
Manufacturing expenses	<u>4,273,290</u>
Manufacturing cost	9,815,753
Work in process, beginning of year	1,644,716
Work in process, end of year	<u>(1,092,713)</u>
Cost of finished goods	10,367,756
Finished goods, beginning of year	877,314
Finished goods, end of year	(723,602)
Transferred to research and development and selling expense	(151,941)
Other adjustment	<u>(17,149)</u>
Cost of goods sold	10,352,378
Merchandise, beginning of year	3,346
Merchandise purchased	3,090
Transferred to manufacturing expense	(595)
Transferred from prepayment for machinery and equipment	28,080
Merchandise, end of year	<u>(3,351)</u>
Cost of merchandise sold	30,570
Cost of raw materials and supplies sold	96,877
Inventory write-downs	68,000
Loss from inventories scraps	7,582
Maintenance and warranty expense	22,621
Unallocated fixed overhead	121,800
Revenue from sale of scraps	<u>(68,198)</u>
Operating Costs	<u>\$ 10,631,630</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

Item	Selling and Marking Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 71,873	\$ 301,672	\$ 430,694	\$ 804,239
Depreciation expense	6,022	83,546	83,690	173,258
Donation	-	36,248	-	36,248
Shipping expense	51,680	1,199	1,318	54,197
Others	<u>194,942</u>	<u>213,414</u>	<u>375,338</u>	<u>783,694</u>
Total	<u>\$ 324,517</u>	<u>\$ 636,079</u>	<u>\$ 891,040</u>	<u>\$ 1,851,636</u>