

**Hiwin Technologies Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Hiwin Technologies Corporation (the "Corporation") and its subsidiaries (collectively, the "Group") as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$9,183,103 thousand and NT\$8,487,983 thousand, respectively, both representing 18% of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$4,091,187 thousand and NT\$4,311,103 thousand, respectively, representing 19% and 17%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$127,283 thousand, NT\$19,521 thousand, NT\$181,069 thousand and NT\$(83,450) thousand, respectively, representing 21%, 3%, 11% and (37)%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 5, 2021

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 4,192,809	9	\$ 2,603,652	5	\$ 2,456,080	5
Financial assets at fair value through profit or loss - current (Note 7)	2,931	-	128	-	5,258	-
Notes receivable from unrelated parties, net (Notes 9 and 29)	1,091,678	2	1,208,512	2	642,885	1
Notes receivable from related parties, net (Note 28)	2,436	-	693	-	906	-
Trade receivables from unrelated parties, net (Note 9)	4,475,988	9	5,116,498	11	4,760,926	10
Trade receivables from related parties, net (Note 28)	28,554	-	16,211	-	21,683	-
Inventories (Note 10)	6,936,730	14	6,197,806	13	6,988,875	15
Other current assets (Notes 6, 28 and 29)	589,123	1	465,683	1	545,290	1
Total current assets	<u>17,320,249</u>	<u>35</u>	<u>15,609,183</u>	<u>32</u>	<u>15,421,903</u>	<u>32</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,244,034	3	944,234	2	964,456	2
Financial assets at amortized cost - non-current	2,889	-	2,906	-	2,906	-
Investments accounted for using the equity method (Note 12)	230,052	-	219,832	-	200,702	-
Property, plant and equipment (Notes 13, 28 and 29)	27,702,018	56	27,864,527	58	28,109,776	58
Right-of-use assets (Notes 14, 28 and 29)	682,770	1	729,913	2	772,347	2
Goodwill	256,163	1	256,163	1	256,163	1
Deferred tax assets (Note 4)	464,454	1	361,720	1	363,185	1
Prepayments for machinery and equipment (Note 15)	1,625,731	3	1,768,214	4	2,047,661	4
Refundable deposits	102,143	-	63,913	-	79,398	-
Other non-current assets (Note 9)	231,618	-	217,177	-	176,026	-
Total non-current assets	<u>32,541,872</u>	<u>65</u>	<u>32,428,599</u>	<u>68</u>	<u>32,972,620</u>	<u>68</u>
TOTAL	<u>\$ 49,862,121</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 48,394,523</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 29)	\$ 4,787,320	10	\$ 5,542,045	12	\$ 9,880,577	21
Short-term bills payable (Note 16)	89,908	-	19,936	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	540	-	7,327	-	1,448	-
Contract liabilities - current (Note 28)	97,655	-	102,129	-	133,914	-
Notes payable	2,189	-	8,762	-	917	-
Trade payables to unrelated parties	3,816,248	8	3,182,134	7	2,439,567	5
Trade payables to related parties (Note 28)	170,731	1	111,356	-	141,646	-
Other payables (Notes 17 and 28)	1,714,237	4	1,623,389	3	1,239,646	3
Dividends payable (Note 25)	661,733	1	-	-	557,242	1
Current tax liabilities (Note 4)	608,431	1	335,972	1	165,188	-
Lease liabilities - current (Notes 14 and 28)	122,246	-	136,892	-	164,743	-
Current portion of long-term borrowings (Notes 16 and 29)	1,111,508	2	1,273,168	3	1,268,906	3
Other current liabilities	94,393	-	108,193	-	99,184	-
Total current liabilities	<u>13,277,139</u>	<u>27</u>	<u>12,451,303</u>	<u>26</u>	<u>16,092,978</u>	<u>33</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 29)	6,619,706	13	6,892,359	14	7,612,933	16
Deferred tax liabilities (Note 4)	638,843	1	556,757	1	474,406	1
Lease liabilities - non-current (Notes 14 and 28)	414,584	1	442,220	1	460,421	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	265,396	1	294,571	1	231,343	-
Other non-current liabilities	10,651	-	11,178	-	23,509	-
Total non-current liabilities	<u>7,949,180</u>	<u>16</u>	<u>8,197,085</u>	<u>17</u>	<u>8,802,612</u>	<u>18</u>
Total liabilities	<u>21,226,319</u>	<u>43</u>	<u>20,648,388</u>	<u>43</u>	<u>24,895,590</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION						
Ordinary shares	3,308,663	7	3,308,663	7	3,095,789	6
Share dividends to be distributed	99,260	-	-	-	92,874	-
Capital surplus	5,528,655	11	5,600,568	11	3,320,372	7
Retained earnings						
Legal reserve	3,071,586	6	2,892,584	6	2,892,584	6
Unappropriated earnings	16,007,301	32	15,363,677	32	14,009,407	29
Other equity	536,721	1	396,636	1	203,845	1
Total equity attributable to owners of the Corporation	<u>28,552,186</u>	<u>57</u>	<u>27,562,128</u>	<u>57</u>	<u>23,614,871</u>	<u>49</u>
NON-CONTROLLING INTERESTS	<u>83,616</u>	<u>-</u>	<u>(172,734)</u>	<u>-</u>	<u>(115,938)</u>	<u>-</u>
Total equity	<u>28,635,802</u>	<u>57</u>	<u>27,389,394</u>	<u>57</u>	<u>23,498,933</u>	<u>49</u>
TOTAL	<u>\$ 49,862,121</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 48,394,523</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated August 5, 2021)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Note 28)	\$ 7,048,502	100	\$ 5,628,576	100	\$ 13,039,949	100	\$ 9,242,643	100
COST OF GOODS SOLD (Notes 10, 20 and 28)	<u>4,502,535</u>	<u>64</u>	<u>4,060,143</u>	<u>72</u>	<u>8,589,686</u>	<u>66</u>	<u>6,782,910</u>	<u>73</u>
GROSS PROFIT	<u>2,545,967</u>	<u>36</u>	<u>1,568,433</u>	<u>28</u>	<u>4,450,263</u>	<u>34</u>	<u>2,459,733</u>	<u>27</u>
OPERATING EXPENSES (Notes 20 and 28)								
Selling and marketing expenses	412,629	6	284,990	5	748,865	6	641,824	7
General and administrative expenses	449,292	6	366,806	7	957,046	7	756,012	8
Research and development expenses	<u>256,716</u>	<u>4</u>	<u>229,006</u>	<u>4</u>	<u>506,332</u>	<u>4</u>	<u>459,718</u>	<u>5</u>
Total operating expenses	<u>1,118,637</u>	<u>16</u>	<u>880,802</u>	<u>16</u>	<u>2,212,243</u>	<u>17</u>	<u>1,857,554</u>	<u>20</u>
PROFIT FROM OPERATIONS	<u>1,427,330</u>	<u>20</u>	<u>687,631</u>	<u>12</u>	<u>2,238,020</u>	<u>17</u>	<u>602,179</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES								
Subsidy revenue (Note 16)	13,871	-	22,265	-	21,264	-	22,500	-
Finance costs (Notes 20 and 28)	(40,333)	(1)	(55,120)	(1)	(85,768)	(1)	(116,008)	(2)
Share of profit of associates accounted for using the equity method (Note 12)	10,884	-	4,208	-	20,574	-	11,076	-
Interest income	3,984	-	4,421	-	6,026	-	7,997	-
Gain from bargain purchase (Note 23)	-	-	48,159	1	-	-	48,159	1
Other income (Note 28)	42,569	1	74,334	1	60,399	1	90,952	1
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	4,537	-	7,731	-	(588)	-	8,649	-
Other expenses (Note 28)	(7,406)	-	(2,122)	-	(9,377)	-	(4,501)	-
Net foreign exchange gain (Note 31)	<u>(37,043)</u>	<u>-</u>	<u>(32,572)</u>	<u>-</u>	<u>(164,937)</u>	<u>(1)</u>	<u>(79,873)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(8,937)</u>	<u>-</u>	<u>71,304</u>	<u>1</u>	<u>(152,407)</u>	<u>(1)</u>	<u>(11,049)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,418,393	20	758,935	13	2,085,613	16	591,130	6
INCOME TAX EXPENSE (Notes 4 and 21)	<u>432,511</u>	<u>6</u>	<u>250,046</u>	<u>4</u>	<u>620,332</u>	<u>5</u>	<u>273,157</u>	<u>3</u>
NET PROFIT FOR THE PERIOD	<u>985,882</u>	<u>14</u>	<u>508,889</u>	<u>9</u>	<u>1,465,281</u>	<u>11</u>	<u>317,973</u>	<u>3</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	\$ (329,919)	(4)	\$ 273,464	5	\$ 299,800	2	\$ (16,581)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	(64,759)	(1)	(48,679)	(1)	(199,702)	(1)	(93,733)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>12,934</u>	-	<u>9,579</u>	-	<u>39,909</u>	-	<u>18,559</u>	-
	<u>(51,825)</u>	<u>(1)</u>	<u>(39,100)</u>	<u>(1)</u>	<u>(159,793)</u>	<u>(1)</u>	<u>(75,174)</u>	<u>(1)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(381,744)</u>	<u>(5)</u>	<u>234,364</u>	<u>4</u>	<u>140,007</u>	<u>1</u>	<u>(91,755)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 604,138</u>	<u>9</u>	<u>\$ 743,253</u>	<u>13</u>	<u>\$ 1,605,288</u>	<u>12</u>	<u>\$ 226,218</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 1,051,523	15	\$ 567,001	10	\$ 1,583,619	12	\$ 435,752	4
Non-controlling interests	<u>(65,641)</u>	<u>(1)</u>	<u>(58,112)</u>	<u>(1)</u>	<u>(118,338)</u>	<u>(1)</u>	<u>(117,779)</u>	<u>(1)</u>
	<u>\$ 985,882</u>	<u>14</u>	<u>\$ 508,889</u>	<u>9</u>	<u>\$ 1,465,281</u>	<u>11</u>	<u>\$ 317,973</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 669,824	10	\$ 802,052	14	\$ 1,723,704	13	\$ 344,762	4
Non-controlling interests	<u>(65,686)</u>	<u>(1)</u>	<u>(58,799)</u>	<u>(1)</u>	<u>(118,416)</u>	<u>(1)</u>	<u>(118,544)</u>	<u>(2)</u>
	<u>\$ 604,138</u>	<u>9</u>	<u>\$ 743,253</u>	<u>13</u>	<u>\$ 1,605,288</u>	<u>12</u>	<u>\$ 226,218</u>	<u>2</u>
EARNINGS PER SHARE (Note 22)								
Basic	<u>\$ 3.18</u>		<u>\$ 1.78</u>		<u>\$ 4.79</u>		<u>\$ 1.37</u>	
Diluted	<u>\$ 3.17</u>		<u>\$ 1.78</u>		<u>\$ 4.78</u>		<u>\$ 1.36</u>	

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

(With Deloitte & Touche auditors' review report dated August 5, 2021)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Note 19)									
	Ordinary Shares	Share Dividends to be Distributed	Capital Surplus	Retained Earnings		Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
				Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2020	\$ 3,095,789	\$ -	\$ 3,236,274	\$ 2,706,052	\$ 14,410,303	\$ (409,634)	\$ 704,469	\$ 23,743,253	\$ (88,776)	\$ 23,654,477
Appropriation of 2019 earnings										
Legal reserve	-	-	-	186,532	(186,532)	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	(557,242)	-	-	(557,242)	-	(557,242)
Share dividends - NT\$0.3 per share	-	92,874	-	-	(92,874)	-	-	-	-	-
	-	92,874	-	186,532	(836,648)	-	-	(557,242)	-	(557,242)
Changes in percentage of ownership interests in subsidiaries	-	-	84,098	-	-	-	-	84,098	20,418	104,516
Increase in non-controlling interests	-	-	-	-	-	-	-	-	70,964	70,964
Net profit (loss) for the six months ended June 30, 2020	-	-	-	-	435,752	-	-	435,752	(117,779)	317,973
Other comprehensive loss for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(74,409)	(16,581)	(90,990)	(765)	(91,755)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	435,752	(74,409)	(16,581)	344,762	(118,544)	226,218
BALANCE AT JUNE 30, 2020	\$ 3,095,789	\$ 92,874	\$ 3,320,372	\$ 2,892,584	\$ 14,009,407	\$ (484,043)	\$ 687,888	\$ 23,614,871	\$ (115,938)	\$ 23,498,933
BALANCE AT JANUARY 1, 2021	\$ 3,308,663	\$ -	\$ 5,600,568	\$ 2,892,584	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128	\$ (172,734)	\$ 27,389,394
Appropriation of 2020 earnings										
Legal reserve	-	-	-	179,002	(179,002)	-	-	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	-	(661,733)	-	-	(661,733)	-	(661,733)
Share dividends - NT\$0.3 per share	-	99,260	-	-	(99,260)	-	-	-	-	-
	-	99,260	-	179,002	(939,995)	-	-	(661,733)	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	-	(71,913)	-	-	-	-	(71,913)	71,913	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	302,853	302,853
Net profit (loss) for the six months ended June 30, 2021	-	-	-	-	1,583,619	-	-	1,583,619	(118,338)	1,465,281
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(159,715)	299,800	140,085	(78)	140,007
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	1,583,619	(159,715)	299,800	1,723,704	(118,416)	1,605,288
BALANCE AT JUNE 30, 2021	\$ 3,308,663	\$ 99,260	\$ 5,528,655	\$ 3,071,586	\$ 16,007,301	\$ (496,579)	\$ 1,033,300	\$ 28,552,186	\$ 83,616	\$ 28,635,802

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

(With Deloitte & Touche auditors' review report dated August 5, 2021)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,085,613	\$ 591,130
Adjustments for:		
Depreciation expenses	1,091,318	1,148,347
Amortization expenses	23,494	30,706
Expected credit loss recognized (reversed) on trade receivables	(168)	(2,389)
Net profit on fair value change of financial assets and liabilities at fair value through profit or loss	(2,391)	(3,810)
Finance costs	85,768	116,008
Interest income	(6,026)	(7,997)
Dividend income	(24,064)	(35,115)
Share of profit or loss of associates accounted for using the equity method	(20,574)	(11,076)
Loss (gain) on disposal of property, plant and equipment	5,023	(4,802)
Recognition (reversal) of inventory write-downs	(31,285)	136,663
Unrealized loss on foreign currency exchange, net	34,871	15,025
Gain from bargain purchase	-	(48,159)
Others	(596)	(3,826)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(7,199)	2,555
Notes receivable	93,781	(250,022)
Trade receivables	530,448	(367,916)
Inventories	(720,415)	674,627
Other current assets	(104,921)	(88,402)
Contract liabilities	(3,904)	14,494
Notes payable	(6,573)	(7,664)
Trade payables	804,288	329,852
Other payables	343,432	(232,769)
Other current liabilities	(11,428)	554
Net defined benefit liabilities	(26,843)	(44,773)
Cash generated from operations	4,131,649	1,951,241
Interest received	6,009	5,304
Dividends received	24,064	35,115
Interest paid	(88,143)	(120,368)
Income taxes paid	(341,544)	(192,656)
Net cash generated from operating activities	<u>3,732,035</u>	<u>1,678,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on acquisition of subsidiaries (Note 23)	-	12,648
Payments for property, plant and equipment	(839,018)	(562,958)
Proceeds from disposal of property, plant and equipment	2,729	12,100
Decrease (increase) in refundable deposits	(40,377)	629

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
Decrease (increase) in other financial assets	\$ (8,000)	\$ 2,587
Increase in other non-current assets	(48,124)	(35,316)
Increase in prepayments for machinery and equipment	(366,787)	(360,207)
Dividends received from associates	<u>4,143</u>	<u>-</u>
Net cash used in investing activities	<u>(1,295,434)</u>	<u>(930,517)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	(678,633)	133,770
Proceeds from short-term bills payable	69,972	-
Proceeds from long-term borrowings	286,359	283,952
Repayments of long-term borrowings	(688,394)	(726,004)
Repayment of the principal portion of lease liabilities	(76,332)	(90,356)
Increase in other non-current liabilities	163	11,217
Changes in non-controlling interests	<u>302,853</u>	<u>104,516</u>
Net cash used in financing activities	<u>(784,012)</u>	<u>(282,905)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(63,432)</u>	<u>(17,879)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,589,157	447,335
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,603,652</u>	<u>2,008,745</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 4,192,809</u>	<u>\$ 2,456,080</u>

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

(With Deloitte & Touche auditors' review report dated August 5, 2021)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on August 5, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 11, Tables 9 and 10 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty of these interim consolidated financial statements are the same as those applied to the preparation of the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 2,430	\$ 2,324	\$ 2,858
Checking accounts and demand deposits	3,922,909	2,362,456	2,318,790
Pledged time deposits	10,000	2,000	2,713
Cash equivalents			
Time deposits (investments with original maturities of less than 3 months)	<u>267,470</u>	<u>238,872</u>	<u>134,432</u>
	4,202,809	2,605,652	2,458,793
Less: Pledged time deposits (classified as other current assets)	<u>(10,000)</u>	<u>(2,000)</u>	<u>(2,713)</u>
	<u>\$ 4,192,809</u>	<u>\$ 2,603,652</u>	<u>\$ 2,456,080</u>
 <u>Interest rate per annum (%)</u>			
Cash in bank	0.00-0.40	0.00-0.40	0.00-0.40
Time deposits (investments with original maturities of less than 3 months)	0.05-2.70	0.05-2.40	0.05-2.10
Pledged time deposits	0.09-0.82	0.82	0.35-0.82

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2021</u>			
Sell	EUR/NTD	2021.7.19-2021.9.24	EUR3,200/NTD108,912
Sell	RMB/NTD	2021.7.21-2021.9.24	RMB60,000/NTD257,958
Sell	USD/NTD	2021.7.22-2021.10.29	USD2,400/NTD67,040
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NTD105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NTD361,257
Sell	USD/NTD	2021.1.26-2021.3.29	USD1,700/NTD47,862
<u>June 30, 2020</u>			
Sell	EUR/NTD	2020.7.20-2020.10.22	EUR5,800/NTD191,914
Sell	RMB/NTD	2020.7.3-2020.10.27	RMB255,600/NTD1,064,866
Sell	USD/NTD	2020.7.6-2020.9.8	USD2,100/NTD62,898

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)			
Domestic listed ordinary shares			
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 1,169,489	\$ 860,140	\$ 769,697
Domestic unlisted ordinary shares			
Ever Fortune. AI Co., Ltd. (Ever Fortune)	44,383	45,017	27,045
Taichung International Country Club	2,950	2,650	2,520
Sunengine Corporation Ltd. (Sunengine)	-	-	-
King Kong Iron Work Ltd.	-	-	-
Overseas unlisted ordinary shares			
Kaland Holdings Corp. (Kaland)	<u>27,212</u>	<u>36,427</u>	<u>165,194</u>
	<u>\$ 1,244,034</u>	<u>\$ 944,234</u>	<u>\$ 964,456</u>

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

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

In December 2020, the Group acquired additional shares amounting to \$12,606 thousand in Ever Fortune.

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 1,092,535	\$ 1,209,090	\$ 643,378
Less: Allowance for impairment loss	<u>(857)</u>	<u>(578)</u>	<u>(493)</u>
	<u>\$ 1,091,678</u>	<u>\$ 1,208,512</u>	<u>\$ 642,885</u>
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 4,491,902	\$ 5,133,330	\$ 4,785,858
Less: Allowance for impairment loss	<u>(15,914)</u>	<u>(16,832)</u>	<u>(24,932)</u>
	<u>\$ 4,475,988</u>	<u>\$ 5,116,498</u>	<u>\$ 4,760,926</u>

a. Notes receivable

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

	June 30, 2021	December 31, 2020	June 30, 2020
Not past due	\$ 1,092,535	\$ 1,209,090	\$ 643,378
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,092,535</u>	<u>\$ 1,209,090</u>	<u>\$ 643,378</u>

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

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

Purchaser of Notes Receivable	June 30, 2021		
	Notes Receivable Transferred	Amount in Advanced (Note)	Interest Rate
China Construction Bank	\$ <u>140,276</u>	\$ <u>140,276</u>	2.80%-3.00%
Purchaser of Notes Receivable	December 31, 2020		
	Notes Receivable Transferred	Amount in Advanced (Note)	Interest Rate
Bank of China	\$ 157,973	\$ 157,973	3.13%
China Construction Bank	<u>4,377</u>	<u>4,377</u>	3.00%
	\$ <u>162,350</u>	\$ <u>162,350</u>	

Note: Classified under short-term borrowings, for related information of guarantee and short-term borrowings please refer to Notes 16 and 29.

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>June 30, 2021</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,324,656	\$ 150,973	\$ 4,619	\$ 11,654	\$ 4,491,902
Loss allowance (Lifetime ECLs)	<u>(2,593)</u>	<u>(829)</u>	<u>(2,943)</u>	<u>(9,549)</u>	<u>(15,914)</u>
Amortized cost	<u>\$ 4,322,063</u>	<u>\$ 150,144</u>	<u>\$ 1,676</u>	<u>\$ 2,105</u>	<u>\$ 4,475,988</u>
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,605,244	\$ 508,843	\$ 6,150	\$ 13,093	\$ 5,133,330
Loss allowance (Lifetime ECLs)	<u>(3,155)</u>	<u>(1,888)</u>	<u>(631)</u>	<u>(11,158)</u>	<u>(16,832)</u>
Amortized cost	<u>\$ 4,602,089</u>	<u>\$ 506,955</u>	<u>\$ 5,519</u>	<u>\$ 1,935</u>	<u>\$ 5,116,498</u>
<u>June 30, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,226,667	\$ 523,001	\$ 22,237	\$ 13,953	\$ 4,785,858
Loss allowance (Lifetime ECLs)	<u>(6,203)</u>	<u>(2,208)</u>	<u>(4,505)</u>	<u>(12,016)</u>	<u>(24,932)</u>
Amortized cost	<u>\$ 4,220,464</u>	<u>\$ 520,793</u>	<u>\$ 17,732</u>	<u>\$ 1,937</u>	<u>\$ 4,760,926</u>

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

	<u>For the Six Months Ended June 30, 2021</u>		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2021	\$ 578	\$ 16,832	\$ 27,395
Net remeasurement of loss allowance	279	(447)	-
Foreign exchange gains and losses	<u>-</u>	<u>(471)</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 857</u>	<u>\$ 15,914</u>	<u>\$ 27,395</u>
	<u>For the Six Months Ended June 30, 2020</u>		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2020	\$ 597	\$ 27,507	\$ 13,697
Net remeasurement of loss allowance	(104)	(2,285)	-
Foreign exchange gains and losses	<u>-</u>	<u>(290)</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ 493</u>	<u>\$ 24,932</u>	<u>\$ 13,697</u>

10. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Merchandise	\$ 3,103	\$ 2,086	\$ 2,196
Finished goods	1,791,516	1,989,847	2,396,541
Work in process	1,874,616	1,692,451	1,560,971
Raw materials and supplies	2,618,235	2,272,683	2,783,504
Inventory in transit	<u>649,260</u>	<u>240,739</u>	<u>245,663</u>
	<u>\$ 6,936,730</u>	<u>\$ 6,197,806</u>	<u>\$ 6,988,875</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 was \$4,502,535 thousand, \$4,060,143 thousand, \$8,589,686 thousand and \$6,782,910 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 included inventory write-downs (reversal of inventory write-downs) of \$(24,410) thousand, \$49,775 thousand, \$(31,285) thousand and \$136,663 thousand, and unallocated fixed overhead of \$75,388 thousand, \$81,424 thousand, \$157,201 thousand and \$155,524 thousand, respectively. Previous write-downs were reversed as a result of inventory consumed and increased selling prices in markets.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			June 30, 2021	December 31, 2020	June 30, 2020
The Corporation	Hiwin Corporation, U.S.A. ("Hiwin USA")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation, Japan ("Hiwin Japan")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin GmbH ("Hiwin Germany")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Eterbright Solar Corporation ("Eterbright") (Note 24)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	76	74	74
	Hiwin Singapore Pte. Ltd. ("Hiwin Singapore")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation ("Hiwin Korea")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Technologies (China) Corporation ("Hiwin China")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Matrix Precision Co., Ltd. ("Matrix Precision") (Note 24)	Research, development, production, manufacture and sale of gear cutting tools and machinery	50	51	51
	Hiwin Healthcare Corp.	Sale of medical robots	100	100	100

(Continued)

Investor	Investee	Main Business	% of Ownership		
			June 30, 2021	December 31, 2020	June 30, 2020
The Corporation	Hiwin S.R.L. (“Hiwin Italy”)	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Matrix Machine Tool (Coventry) Limited (“Matrix”)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100	100
	Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	81	50
Hiwin Germany	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19	19
Matrix Precision	Luren Precision Machinery (Shanghai) Co., Ltd. (“Luren Shanghai”)	Sale of gear cutting tools and machinery	100	100	100
	Suzhou Matrix Precision Machinery Co., Ltd. (“Suzhou Matrix”)	Sale of gear cutting tools and machinery	100	100	100

(Concluded)

Except for the financial statements of Hiwin China and Eterbright for the six months ended June 30, 2021 and 2020 which were reviewed by the independent auditors, the remaining subsidiaries are immaterial subsidiaries; their financial statements have not been reviewed.

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

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	June 30, 2021	December 31, 2020	June 30, 2020
Eterbright	24%	26%	26%
Matrix Precision	50%	49%	49%
Hiwin Schweiz	-	-	31%

See Tables 9 and 10 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Income (Loss) and Comprehensive Income (Loss) Allocated to Non-controlling Interests			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Eterbright	\$ (37,076)	\$ (28,631)	\$ (71,092)	\$ (62,862)
Matrix Precision	(28,610)	(30,569)	(47,324)	(56,083)
Hiwin Schweiz	-	401	-	401
	<u>\$ (65,686)</u>	<u>\$ (58,799)</u>	<u>\$ (118,416)</u>	<u>\$ (118,544)</u>

Name of Subsidiary	Accumulated Non-controlling Interests		
	June 30, 2021	December 31, 2020	June 30, 2020
Eterbright	\$ (207,849)	\$ (220,053)	\$ (144,845)
Matrix Precision	291,465	47,319	(42,458)
Hiwin Schweiz	<u>-</u>	<u>-</u>	<u>71,365</u>
	<u>\$ 83,616</u>	<u>\$ (172,734)</u>	<u>\$ (115,938)</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 222,067	\$ 247,253	\$ 241,090
Non-current assets	1,086,612	1,148,335	1,129,676
Current liabilities	(2,109,061)	(2,158,118)	(1,809,922)
Non-current liabilities	<u>(77,360)</u>	<u>(89,397)</u>	<u>(121,606)</u>
Equity	<u>\$ (877,742)</u>	<u>\$ (851,927)</u>	<u>\$ (560,762)</u>
Equity attributable to:			
Owners of Eterbright	\$ (669,893)	\$ (631,874)	\$ (415,917)
Non-controlling interests of Eterbright	<u>(207,849)</u>	<u>(220,053)</u>	<u>(144,845)</u>
	<u>\$ (877,742)</u>	<u>\$ (851,927)</u>	<u>\$ (560,762)</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Revenue	<u>\$ 13,761</u>	<u>\$ 4,614</u>	<u>\$ 20,447</u>	<u>\$ 14,042</u>
Net loss for the period	\$ (144,125)	\$ (110,844)	\$ (275,815)	\$ (243,369)
Other comprehensive income (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>\$ (144,125)</u>	<u>\$ (110,844)</u>	<u>\$ (275,815)</u>	<u>\$ (243,369)</u>
Loss and total comprehensive loss attributable to:				
Owners of Eterbright	\$ (107,049)	\$ (82,213)	\$ (204,723)	\$ (180,507)
Non-controlling interests of Eterbright	<u>(37,076)</u>	<u>(28,631)</u>	<u>(71,092)</u>	<u>(62,862)</u>
	<u>\$ (144,125)</u>	<u>\$ (110,844)</u>	<u>\$ (275,815)</u>	<u>\$ (243,369)</u>

(Continued)

	For the Six Months Ended June 30	
	2021	2020
Net cash inflow (outflow) from:		
Operating activities	\$ (171,689)	\$ (172,185)
Investing activities	(165,282)	(37,583)
Financing activities	<u>328,977</u>	<u>199,834</u>
Net cash outflow	<u>\$ (7,994)</u>	<u>\$ (9,934)</u> (Concluded)

Matrix Precision and Matrix Precision subsidiaries

	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 609,425	\$ 555,851	\$ 567,312
Non-current assets	1,383,300	1,389,660	1,382,865
Current liabilities	(458,260)	(890,223)	(1,045,009)
Non-current liabilities	<u>(943,850)</u>	<u>(957,400)</u>	<u>(984,549)</u>
Equity	<u>\$ 590,615</u>	<u>\$ 97,888</u>	<u>\$ (79,381)</u>
Equity attributable to:			
Owners of Matrix Precision	\$ 295,898	\$ 47,197	\$ (40,524)
Non-controlling interests of Matrix Precision	<u>294,717</u>	<u>50,691</u>	<u>(38,857)</u>
	<u>\$ 590,615</u>	<u>\$ 97,888</u>	<u>\$ (79,381)</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Revenue	<u>\$ 95,005</u>	<u>\$ 42,097</u>	<u>\$ 166,649</u>	<u>\$ 94,026</u>
Net loss for the period	\$ (57,344)	\$ (62,474)	\$ (95,116)	\$ (129,675)
Other comprehensive loss for the period	<u>(90)</u>	<u>(188)</u>	<u>(157)</u>	<u>(341)</u>
Total comprehensive loss for the period	<u>\$ (57,434)</u>	<u>\$ (62,662)</u>	<u>\$ (95,273)</u>	<u>\$ (130,016)</u>
Loss attributable to:				
Owners of Matrix Precision	\$ (28,729)	\$ (31,894)	\$ (47,684)	\$ (73,585)
Non-controlling interests of Matrix Precision	<u>(28,615)</u>	<u>(30,580)</u>	<u>(47,432)</u>	<u>(56,090)</u>
	<u>\$ (57,344)</u>	<u>\$ (62,474)</u>	<u>\$ (95,116)</u>	<u>\$ (129,675)</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Total comprehensive loss attributable to:				
Owners of Matrix Precision	\$ (28,775)	\$ (31,989)	\$ (47,763)	\$ (73,756)
Non-controlling interests of Matrix Precision	<u>(28,659)</u>	<u>(30,673)</u>	<u>(47,510)</u>	<u>(56,260)</u>
	<u>\$ (57,434)</u>	<u>\$ (62,662)</u>	<u>\$ (95,273)</u>	<u>\$ (130,016)</u>
Net cash inflow (outflow) from:				
Operating activities			\$ (48,417)	\$ (60,192)
Investing activities			(18,237)	1,720
Financing activities			<u>103,532</u>	<u>75,105</u>
Net cash inflow			<u>\$ 36,878</u>	<u>\$ 16,633</u> (Concluded)

Hiwin Schweiz

	June 30, 2020
Current assets	\$ 276,182
Non-current assets	40,441
Current liabilities	(53,444)
Non-current liabilities	<u>(32,968)</u>
Equity	<u>\$ 230,211</u>
Equity attributable to:	
Owners of Hiwin Schweiz	\$ 158,846
Non-controlling interests of Hiwin Schweiz	<u>71,365</u>
	<u>\$ 230,211</u>
	For the Three Months Ended June 30, 2020
Revenue	<u>\$ 62,236</u>
Net income for the period	\$ 3,212
Other comprehensive loss for the period	<u>(1,919)</u>
Total comprehensive income for the period	<u>\$ 1,293</u>
Income and total comprehensive income attributable to:	
Owners of Hiwin Schweiz	\$ 892
Non-controlling interests of Hiwin Schweiz	<u>401</u>
	<u>\$ 1,293</u> (Continued)

	For the Three Months Ended June 30, 2020
Net cash inflow (outflow) from:	
Operating activities	\$ 9,578
Investing activities	248
Financing activities	<u>(1,518)</u>
Net cash inflow	<u>\$ 8,308</u> (Concluded)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2021	December 31, 2020	June 30, 2020	
Associates that are not individually material	<u>\$ 230,052</u>	<u>\$ 219,832</u>	<u>\$ 200,702</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
The Group's share of:				
Profit for the period	\$ 10,884	\$ 4,208	\$ 20,574	\$ 11,076
Other comprehensive income (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 10,884</u>	<u>\$ 4,208</u>	<u>\$ 20,574</u>	<u>\$ 11,076</u>

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were calculated based on the financial statements that have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income (loss) from the financial statements that have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Six Months Ended June 30, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 5,516,026	\$ -	\$ -	\$ -	\$ (59,606)	\$ 5,456,420
Buildings and improvements	13,981,515	14,697	-	57,286	(65,041)	13,988,457
Machinery and equipment	15,143,381	85,578	(718,832)	486,138	(37,118)	14,959,147
Transportation equipment	218,095	15,932	(7,961)	6,557	(8,501)	224,122
Leasehold improvements	118,059	-	-	11,260	(3,947)	125,372
Miscellaneous equipment	2,847,657	49,027	(108,486)	885	(15,404)	2,773,679
Construction in progress	710,843	456,738	-	(54,165)	(27,871)	1,085,545
	<u>38,535,576</u>	<u>\$ 621,972</u>	<u>\$ (835,279)</u>	<u>\$ 507,961</u>	<u>\$ (217,488)</u>	<u>38,612,742</u>

(Continued)

	For the Six Months Ended June 30, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	\$ 2,029,881	\$ 169,760	\$ -	\$ (11,259)	\$ (16,363)	\$ 2,172,019
Machinery and equipment	6,605,652	798,215	(711,142)	278	(17,475)	6,675,528
Transportation equipment	125,607	16,634	(7,961)	6	(5,082)	129,204
Leasehold improvements	107,618	2,223	-	16,740	(3,581)	123,000
Miscellaneous equipment	1,802,291	133,114	(108,424)	(5,765)	(10,243)	1,810,973
	<u>10,671,049</u>	<u>\$ 1,119,946</u>	<u>\$ (827,527)</u>	<u>\$ -</u>	<u>\$ (52,744)</u>	<u>10,910,724</u>
	<u>\$ 27,864,527</u>					<u>\$ 27,702,018</u> (Concluded)

	For the Six Months Ended June 30, 2020						
	Beginning Balance	Acquisitions Through Business Combination (Note 23)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>							
Land	\$ 5,598,313	\$ -	\$ -	\$ -	\$ -	\$ (8,642)	\$ 5,589,671
Buildings and improvements	13,715,699	-	20,334	(6,335)	109,666	(45,671)	13,793,693
Machinery and equipment	15,985,180	3,978	95,729	(804,872)	582,347	(14,259)	15,848,103
Transportation equipment	203,152	9,445	14,159	(18,376)	-	(2,175)	206,205
Leasehold improvements	118,293	-	-	-	-	(1,450)	116,843
Miscellaneous equipment	2,795,397	4,295	51,469	(24,447)	22,587	(8,297)	2,841,004
Construction in progress	671,639	-	289,250	-	(109,666)	(10,454)	840,769
	<u>39,087,673</u>	<u>\$ 17,718</u>	<u>\$ 470,941</u>	<u>\$ (854,030)</u>	<u>\$ 604,934</u>	<u>\$ (90,948)</u>	<u>39,236,288</u>
<u>Accumulated depreciation and impairment</u>							
Buildings and improvements	1,826,396	\$ -	\$ 167,975	\$ (6,335)	\$ -	\$ (4,914)	1,983,122
Machinery and equipment	7,168,883	1,185	850,232	(803,115)	-	(6,803)	7,210,382
Transportation equipment	104,874	4,385	16,806	(12,839)	-	(1,272)	111,954
Leasehold improvements	103,480	-	2,862	-	-	(1,046)	105,296
Miscellaneous equipment	1,604,612	1,306	138,536	(24,443)	-	(4,253)	1,715,758
	<u>10,808,245</u>	<u>\$ 6,876</u>	<u>\$ 1,176,411</u>	<u>\$ (846,732)</u>	<u>\$ -</u>	<u>\$ (18,288)</u>	<u>11,126,512</u>
	<u>\$ 28,279,428</u>						<u>\$ 28,109,776</u>

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

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

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020	
<u>Carrying amounts</u>				
Land	\$ 319,453	\$ 330,424	\$ 333,936	
Buildings	340,112	370,195	414,483	
Transportation equipment	22,342	28,604	22,987	
Miscellaneous equipment	<u>863</u>	<u>690</u>	<u>941</u>	
	<u>\$ 682,770</u>	<u>\$ 729,913</u>	<u>\$ 772,347</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ 14,984</u>	<u>\$ 3,411</u>	<u>\$ 49,773</u>	<u>\$ 7,237</u>
Acquisitions through business combination (Note 23)	<u>\$ -</u>	<u>\$ 32,540</u>	<u>\$ -</u>	<u>\$ 32,540</u>
Depreciation charge for right-of-use assets				
Land	\$ 5,134	\$ 5,083	\$ 10,276	\$ 10,185
Buildings	33,001	41,004	65,233	80,413
Transportation equipment	1,896	2,078	3,934	4,096
Miscellaneous equipment	<u>79</u>	<u>169</u>	<u>165</u>	<u>336</u>
	<u>\$ 40,110</u>	<u>\$ 48,334</u>	<u>\$ 79,608</u>	<u>\$ 95,030</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have any significant sublease or impairment of right-of-use assets during the six months ended June 30, 2021 and 2020.

b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amounts</u>			
Current	\$ 122,246	\$ 136,892	\$ 164,743
Non-current	<u>\$ 414,584</u>	<u>\$ 442,220</u>	<u>\$ 460,421</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1.45%-1.50%	1.45%-1.50%	1.45%-1.50%
Buildings	0.90%-4.90%	1.35%-4.10%	1.45%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 9,919</u>	<u>\$ 2,704</u>	<u>\$ 12,541</u>	<u>\$ 4,587</u>
Expenses relating to low-value asset leases	<u>\$ 826</u>	<u>\$ 616</u>	<u>\$ 1,657</u>	<u>\$ 1,204</u>
Total cash outflow for leases	<u>\$ (51,523)</u>	<u>\$ (52,393)</u>	<u>\$ (95,155)</u>	<u>\$ (101,584)</u>

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

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

The Date of Initial Cost Contribution	June 30, 2021	December 31, 2020	June 30, 2020
Within 1 year	\$ 484,914	\$ 394,027	\$ 532,072
1-2 years	233,786	350,426	631,050
2-5 years	864,945	1,002,410	874,159
More than 5 years	<u>42,086</u>	<u>21,351</u>	<u>10,380</u>
	<u>\$ 1,625,731</u>	<u>\$ 1,768,214</u>	<u>\$ 2,047,661</u>

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

16. BORROWINGS

a. Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Secured borrowings</u> (Note 29)			
Working capital loans	\$ 3,335,716	\$ 3,535,954	\$ 3,433,656
Loans for export sales	940,000	715,000	1,008,000
Loans for purchasing raw material	11,604	21,091	17,399
Letters of credit	<u>-</u>	<u>-</u>	<u>1,522</u>
	4,287,320	4,272,045	4,460,577
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>500,000</u>	<u>1,270,000</u>	<u>5,420,000</u>
	<u>\$ 4,787,320</u>	<u>\$ 5,542,045</u>	<u>\$ 9,880,577</u>
<u>Rate of interest per annum (%)</u>			
Working capital loans	0.23-2.95	0.25-3.13	0.26-3.63
Loans for export sales	0.51-0.61	0.51-1.58	0.81-1.33
Loans for purchasing raw material	1.56	1.56	1.55-1.65
Letters of credit	-	-	1.22
Line of credit borrowings	0.75-0.83	0.77-0.88	0.80-0.93

Among secured borrowings, the amounts of discounted notes receivable were \$140,276 thousand and \$162,350 thousand on June 30, 2021 and December 31, 2020, respectively (refer to Note 9).

b. Short-term bills payable

	June 30, 2021	December 31, 2020
Commercial paper	\$ 90,000	\$ 20,000
Less: Unamortized discount on bills payable	<u>(92)</u>	<u>(64)</u>
	<u>\$ 89,908</u>	<u>\$ 19,936</u>
Rate of interest per annum (%)	1.54	1.54

c. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Secured borrowings</u> (Note 29)			
Secured loans	\$ 6,904,917	\$ 7,398,147	\$ 8,319,382
<u>Unsecured borrowings</u>			
Unsecured loans	<u>826,297</u>	<u>767,380</u>	<u>562,457</u>
	7,731,214	8,165,527	8,881,839
Less: Current portion	<u>(1,111,508)</u>	<u>(1,273,168)</u>	<u>(1,268,906)</u>
Long-term borrowings	<u>\$ 6,619,706</u>	<u>\$ 6,892,359</u>	<u>\$ 7,612,933</u>
<u>Rate of interest per annum (%)</u>			
Secured loans	0.36-4.90	0.36-4.90	0.36-4.90
Unsecured loans	0.70-4.90	0.70-4.90	0.70-4.90

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of June 30, 2021, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Corporation recognized \$501 thousand as government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value; it was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful lives of the assets.

17. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Payables for salaries and bonuses	\$ 628,442	\$ 677,401	\$ 411,199
Payables for compensation of employees	300,037	165,084	183,846
Payables for annual leave	170,024	143,572	142,419
Payables for remuneration of directors	66,542	77,193	14,965
Payables for purchase of equipment	40,310	257,356	108,654
Others	<u>508,882</u>	<u>302,783</u>	<u>378,563</u>
	<u>\$ 1,714,237</u>	<u>\$ 1,623,389</u>	<u>\$ 1,239,646</u>

18. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the pension expenses of defined benefit plans were \$866 thousand, \$1,078 thousand, \$1,687 thousand and \$2,156 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

19. EQUITY

a. Ordinary shares

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>330,866</u>	<u>330,866</u>	<u>309,579</u>
Shares issued	<u>\$ 3,308,663</u>	<u>\$ 3,308,663</u>	<u>\$ 3,095,789</u>

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

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

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

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Issuance of ordinary shares	\$ 5,509,020	\$ 5,509,020	\$ 3,230,834
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries (2)	12,185	84,098	84,098
Invalid employee shares	<u>7,450</u>	<u>7,450</u>	<u>5,440</u>
	<u>\$ 5,528,655</u>	<u>\$ 5,600,568</u>	<u>\$ 3,320,372</u>

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

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

c. Retained earnings and dividends policy

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

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

The appropriations of cash dividends per share for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Legal reserve	\$ 179,002	\$ 186,532		
Cash dividends	661,733	557,242	\$ 2	\$ 1.8
Share dividends	99,260	92,874	0.3	0.3

The appropriations of cash dividends per share for 2020 and 2019 had been approved by the board of directors on March 23, 2021 and May 5, 2020, respectively, the other appropriations of earnings for 2019 had been approved in the shareholders' meeting on June 19, 2020. The Corporation suspends its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The shareholders' meeting will be held on July 26, 2021. However, the voting result by way of electronic transmission regarding other appropriations of earnings for 2020 reached the legal resolution threshold and the Corporation adjusted the related amount accordingly before June 30, 2021.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 38,125	\$ 52,397	\$ 81,143	\$ 110,571
Interest on lease liabilities	<u>2,208</u>	<u>2,723</u>	<u>4,625</u>	<u>5,437</u>
	<u>\$ 40,333</u>	<u>\$ 55,120</u>	<u>\$ 85,768</u>	<u>\$ 116,008</u>

Information about capitalized interest is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Capitalized interest	\$ 7,925	\$ 5,961	\$ 16,377	\$ 12,600
Capitalization rates (%)	1.10-4.90	1.08-4.90	1.10-4.90	1.08-4.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Three Months Ended June 30, 2021</u>			
Short-term employee benefits	\$ 1,092,493	\$ 626,708	\$ 1,719,201
Post-employment benefits			
Defined contribution plans	36,452	17,793	54,245
Defined benefit plans (Note 18)	709	157	866
Other employee benefits	38,536	2,306	40,842
Depreciation expenses	455,048	89,279	544,327
Amortization expenses	5,065	7,177	12,242
<u>For the Three Months Ended June 30, 2020</u>			
Short-term employee benefits	765,627	490,316	1,255,943
Post-employment benefits			
Defined contribution plans	21,628	16,669	38,297
Defined benefit plans (Note 18)	867	211	1,078
Other employee benefits	32,750	13,210	45,960
Depreciation expenses	478,943	95,852	574,795
Amortization expenses	7,895	6,926	14,821
<u>For the Six Months Ended June 30, 2021</u>			
Short-term employee benefits	2,162,590	1,204,786	3,367,376
Post-employment benefits			
Defined contribution plans	68,262	33,854	102,116
Defined benefit plans (Note 18)	1,413	274	1,687
Other employee benefits	78,701	24,272	102,973
Depreciation expenses	905,494	185,824	1,091,318
Amortization expenses	9,758	13,736	23,494
<u>For the Six Months Ended June 30, 2020</u>			
Short-term employee benefits	1,453,591	997,875	2,451,466
Post-employment benefits			
Defined contribution plans	43,785	32,678	76,463
Defined benefit plans (Note 18)	1,704	452	2,156
Other employee benefits	65,171	23,160	88,331
Depreciation expenses	960,223	188,124	1,148,347
Amortization expenses	16,355	14,351	30,706

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the compensation of employees and the remuneration of directors were as follows:

Accrual rate	For the Six Months Ended June 30			
	2021		2020	
Compensation of employees	<u>6.0%</u>		<u>4.4%</u>	
Remuneration of directors	<u>3.0%</u>		<u>2.2%</u>	

Amount	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Compensation of employees	<u>\$ 91,612</u>	<u>\$ 29,930</u>	<u>\$ 132,302</u>	<u>\$ 29,930</u>
Remuneration of directors	<u>\$ 45,806</u>	<u>\$ 14,965</u>	<u>\$ 66,151</u>	<u>\$ 14,965</u>

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

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 which have been resolved by the board of directors on March 23, 2021 and March 25, 2020, respectively, were as follows:

Cash	For the Year Ended December 31			
	2020		2019	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	5.9%	\$ 154,385	5.9%	\$ 149,304
Remuneration of directors	2.9%	77,193	2.9%	74,652

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 360,048	\$ 106,654	\$ 557,690	\$ 118,703
Income tax on unappropriated earnings	39,727	66,690	39,727	66,690
Adjustments for prior periods	(8,336)	18,264	3,654	20,010
Deferred tax				
In respect of the current period	<u>41,072</u>	<u>58,438</u>	<u>19,261</u>	<u>67,754</u>
Income tax expense recognized in profit or loss	<u>\$ 432,511</u>	<u>\$ 250,046</u>	<u>\$ 620,332</u>	<u>\$ 273,157</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
In respect of the current period				
Translation of foreign operations	<u>\$ (12,934)</u>	<u>\$ (9,579)</u>	<u>\$ (39,909)</u>	<u>\$ (18,559)</u>

c. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)	Pro Forma Earnings Per Share Retrospectively Adjusted (NT\$)
<u>For the Three Months Ended June 30, 2021</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 1,051,523	330,866	<u>\$ 3.18</u>	<u>\$ 3.09</u>
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>-</u>	<u>335</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,051,523</u>	<u>331,201</u>	<u>\$ 3.17</u>	<u>\$ 3.08</u>
<u>For the Three Months Ended June 30, 2020</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 567,001	318,866	<u>\$ 1.78</u>	<u>\$ 1.73</u>
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>-</u>	<u>102</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 567,001</u>	<u>318,968</u>	<u>\$ 1.78</u>	<u>\$ 1.73</u>
<u>For the Six Months Ended June 30, 2021</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 1,583,619	330,866	<u>\$ 4.79</u>	<u>\$ 4.65</u>
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>-</u>	<u>501</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,583,619</u>	<u>331,367</u>	<u>\$ 4.78</u>	<u>\$ 4.64</u>
<u>For the Six Months Ended June 30, 2020</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 435,752	318,866	<u>\$ 1.37</u>	<u>\$ 1.33</u>
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>-</u>	<u>460</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 435,752</u>	<u>319,326</u>	<u>\$ 1.36</u>	<u>\$ 1.32</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2020. The basic and diluted earnings per share adjusted retrospectively for the three months and the six months ended June 30, 2020 were as follows:

Unit: NT\$ Per Share

	<u>Before Retrospective Adjustment</u>		<u>After Retrospective Adjustment</u>	
	<u>For the Three Months Ended June 30, 2020</u>	<u>For the Six Months Ended June 30, 2020</u>	<u>For the Three Months Ended June 30, 2020</u>	<u>For the Six Months Ended June 30, 2020</u>
Basic earnings per share	<u>\$ 1.83</u>	<u>\$ 1.41</u>	<u>\$ 1.78</u>	<u>\$ 1.37</u>
Diluted earnings per share	<u>\$ 1.83</u>	<u>\$ 1.41</u>	<u>\$ 1.78</u>	<u>\$ 1.36</u>

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

Pro forma earnings per share that were adjusted retrospectively to reflect the effects of changes in the number of shares resulted from the bonus issue after these consolidated financial statements had been approved.

23. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	April 1, 2020	50	<u>\$ 66,300</u>

Hiwin Schweiz was acquired in order to expand the development in the area of drive control, enhance their competitive advantage and grow the scale of operations.

b. Assets acquired and liabilities assumed at the date of acquisition

Current assets	
Cash	\$ 78,948
Trade receivables	30,464
Inventories	171,005
Other current assets	5,175
Non-current assets	
Property, plant and equipment	10,842
Right-of-use assets	32,540
Other non-current assets	157

(Continued)

Current liabilities	
Trade and other payables	\$ (52,393)
Lease liabilities - current	(6,191)
Other current liabilities	(6,795)
Non-current liabilities	
Lease liabilities - non-current	(26,349)
Other non-current liabilities	<u>(8,486)</u>
	<u>\$ 228,917</u>
	(Concluded)
c. Gain from bargain purchase arising on acquisition	
Consideration transferred	\$ 66,300
Less: Fair value of identifiable net assets acquired	<u>(114,459)</u>
Gain from bargain purchase arising on acquisition	<u>\$ (48,159)</u>
Gain from bargain purchase arose from the consideration paid for the acquisition which was less than the fair value of the identifiable net assets acquired.	
d. Net cash inflow on acquisition of subsidiaries	
Consideration paid in cash	\$ 66,300
Less: Cash balances acquired	<u>(78,948)</u>
	<u>\$ (12,648)</u>

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 24, 2021, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 76%; and recognized a decrease of \$73,872 thousand in capital surplus.

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

On December 1, 2020, the Corporation acquired additional shares of Hiwin Schweiz; thus, the Corporation's continuing interest increased from 50% to 81%.

On February 29, 2020, the Corporation did not subscribe for any newly issued shares of Matrix Precision; thus, the Corporation's continuing interest decreased from 71% to 51%, and recognized the amount of \$84,098 thousand in capital surplus.

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

25. NON-CASH TRANSACTIONS

The cash dividends resolved by the Corporation's board of directors have not been paid for the six months ended June 30, 2021 and 2020 (refer to Note 19).

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 2,931	\$ 128	\$ 5,258
Financial assets at amortized cost (1)	9,896,497	9,012,385	7,964,784
Financial assets at FVTOCI			
Equity instruments	1,244,034	944,234	964,456
<u>Financial liabilities</u>			
FVTPL			
Mandatorily classified as at FVTPL	540	7,327	1,448
Financial liabilities at amortized cost (2)	18,973,580	18,653,149	23,141,434

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties), financial assets at amortized cost-non-current and refundable deposits.
 - 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables (including from related parties), other payables, dividends payable and long-term borrowings (including due within one year).
- c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the six months ended June 30, 2021 and 2020 would have decreased by \$52,446 thousand and \$49,688 thousand, respectively.

b) Interest rate risk

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value interest rate risk			
Deposits in bank	\$ 267,471	\$ 240,872	\$ 93,235
Lease liabilities	536,830	579,112	625,164
Short-term bills payable	89,908	19,936	-
Short-term borrowings	-	162,350	1,490,000
Long-term borrowings	395,951	269,723	360,870
Cash flow interest rate risk			
Deposits in bank	3,765,031	2,270,615	2,262,640
Short-term borrowings	4,787,320	5,379,695	8,390,577
Long-term borrowings	7,335,263	7,895,804	8,520,969

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the six months ended June 30, 2021 and 2020 would have decreased by \$33,430 thousand and \$58,596 thousand, respectively.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 68%, 71% and 77% of the total trade receivables as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had available unutilized bank loan facilities of \$11,814,929 thousand, \$10,999,568 thousand and \$6,587,049 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
<u>June 30, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 6,365,138	\$ -	\$ -
Lease liabilities	140,606	295,728	143,736
Fixed interest rate liabilities	165,215	273,164	47,480
Variable interest rate liabilities	<u>5,823,521</u>	<u>3,178,608</u>	<u>3,120,454</u>
	<u>\$ 12,494,480</u>	<u>\$ 3,747,500</u>	<u>\$ 3,311,670</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 540</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,925,641	\$ -	\$ -
Lease liabilities	156,924	323,503	149,930
Fixed interest rate liabilities	240,599	189,407	22,003
Variable interest rate liabilities	<u>6,594,550</u>	<u>3,275,515</u>	<u>3,405,434</u>
	<u>\$ 11,917,714</u>	<u>\$ 3,788,425</u>	<u>\$ 3,577,367</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 7,327</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 4,379,018	\$ -	\$ -
Lease liabilities	172,808	330,029	157,716
Fixed interest rate liabilities	1,543,099	209,204	98,567
Variable interest rate liabilities	<u>9,606,384</u>	<u>3,578,300</u>	<u>3,726,862</u>
	<u>\$ 15,701,309</u>	<u>\$ 4,117,533</u>	<u>\$ 3,983,145</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,448</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>June 30, 2021</u>					
Lease liabilities	<u>\$ 140,606</u>	<u>\$ 295,728</u>	<u>\$ 93,478</u>	<u>\$ 45,692</u>	<u>\$ 4,566</u>
<u>December 31, 2020</u>					
Lease liabilities	<u>\$ 156,924</u>	<u>\$ 323,503</u>	<u>\$ 89,261</u>	<u>\$ 51,595</u>	<u>\$ 9,074</u>
<u>June 30, 2020</u>					
Lease liabilities	<u>\$ 172,808</u>	<u>\$ 330,029</u>	<u>\$ 91,373</u>	<u>\$ 52,732</u>	<u>\$ 13,611</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

<u>Related Party</u>	<u>Relationship with the Group</u>
Hiwin S.R.O.	Associate
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party
All Horng Gear Industry Co., Ltd	Other related party
Taiwan Gong Ji Chang Co., Ltd	Other related party

b. Operating transactions

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
1) Sales of goods				
Associates	\$ 55,702	\$ 26,679	\$ 97,769	\$ 87,023
Others	<u>39,030</u>	<u>23,514</u>	<u>74,246</u>	<u>63,949</u>
	<u>\$ 94,732</u>	<u>\$ 50,193</u>	<u>\$ 172,015</u>	<u>\$ 150,972</u>

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
2) Purchases of goods				
Others	\$ 196,478	\$ 139,447	\$ 388,389	\$ 246,867
Associates	<u>56</u>	<u>-</u>	<u>56</u>	<u>28</u>
	<u>\$ 196,534</u>	<u>\$ 139,447</u>	<u>\$ 388,445</u>	<u>\$ 246,895</u>

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

3) Other operating transactions

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Non-operating income - other income				
Others	<u>\$ 1,002</u>	<u>\$ 31</u>	<u>\$ 1,200</u>	<u>\$ 258</u>
Non-operating expenses - other expenses				
Others	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ -</u>
Manufacturing and operating expenses				
Others	<u>\$ 2,460</u>	<u>\$ 433</u>	<u>\$ 3,325</u>	<u>\$ 1,791</u>
Operating expenses - donations				
Hiwin Education Foundation	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 12,000</u>	<u>\$ 6,500</u>
		June 30, 2021	December 31, 2020	June 30, 2020

4) Notes receivable

Others	<u>\$ 2,436</u>	<u>\$ 693</u>	<u>\$ 906</u>
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5) Trade receivables

Associates	\$ 26,236	\$ 8,854	\$ 10,401
Others	<u>2,318</u>	<u>7,357</u>	<u>11,282</u>
	<u>\$ 28,554</u>	<u>\$ 16,211</u>	<u>\$ 21,683</u>

6) Other receivables (classified as other current assets)

Others	<u>\$ 968</u>	<u>\$ 231</u>	<u>\$ 44</u>
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	June 30, 2021	December 31, 2020	June 30, 2020
7) Contract liabilities - current			
Others	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,790</u>
8) Trade payables			
Others	\$ 170,707	\$ 111,356	\$ 141,646
Associates	<u> 24</u>	<u> -</u>	<u> -</u>
	<u>\$ 170,731</u>	<u>\$ 111,356</u>	<u>\$ 141,646</u>
9) Other payables			
Others	\$ <u> 405</u>	\$ <u> 1,165</u>	\$ <u> 270</u>
c. Acquisition of property, plant and equipment			

	Purchase Price For the Six Months Ended June 30	
	2021	2020
Others	\$ <u> 2,100</u>	\$ <u> 3,253</u>

d. Lease arrangements

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

	For the Six Months Ended June 30	
	2021	2020

Acquisition of right-of-use assets

Others	\$ <u> 18,533</u>	\$ <u> -</u>
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June 30, 2021	December 31, 2020	June 30, 2020
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Lease liabilities

Others	\$ <u> 16,942</u>	\$ <u> 2,051</u>	\$ <u> 4,185</u>
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For the Three Months Ended June 30		For the Six Months Ended June 30	
2021	2020	2021	2020

Finance costs

Others	\$ <u> 64</u>	\$ <u> 17</u>	\$ <u> 104</u>	\$ <u> 37</u>
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e. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 92,418	\$ 40,146	\$ 179,247	\$ 94,869
Post-employment benefits	171	208	361	891
Termination benefits	-	-	-	1,060
	<u>\$ 92,589</u>	<u>\$ 40,354</u>	<u>\$ 179,608</u>	<u>\$ 96,820</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2021	December 31, 2020	June 30, 2020
Property, plant and equipment	\$ 18,026,116	\$ 16,297,167	\$ 16,537,591
Notes receivable	140,276	162,350	-
Right-of-use assets	73,653	75,682	73,296
Pledged deposits (classified as other current assets)	<u>10,000</u>	<u>2,000</u>	<u>2,713</u>
	<u>\$ 18,250,045</u>	<u>\$ 16,537,199</u>	<u>\$ 16,613,600</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- As of June 30, 2021, December 31, 2020 and June 30, 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$230,060 thousand, \$186,454 thousand and \$123,255 thousand, respectively.
- As of June 30, 2021, December 31, 2020 and June 30, 2020, commitment for acquisition of property, plant and equipment amounted to \$1,204,981 thousand, \$722,762 thousand and \$1,007,687 thousand, respectively.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	June 30, 2021			December 31, 2020		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 26,687	27.860	\$ 743,506	\$ 19,309	28.480	\$ 549,928
EUR	31,403	33.15	1,041,017	25,457	35.02	891,513
JPY	2,141,733	0.2521	539,931	2,081,325	0.2763	575,070
RMB	1,093,161	4.309	4,710,433	1,102,378	4.377	4,825,108
Non-monetary items						
USD	804	27.860	22,412	804	28.480	22,910
ILS	15,358	8.553	130,927	13,639	8.740	119,202
<u>Financial liabilities</u>						
Monetary items						
USD	4,464	27.860	124,367	2,871	28.480	81,765
EUR	3,902	33.15	129,367	1,563	35.02	54,743
JPY	796,270	0.2521	200,740	497,249	0.2763	137,390
RMB	5,717	4.309	24,634	3,688	4.377	16,140
	June 30, 2020					
	Foreign Currencies	Exchange Rate	Carrying Amount			
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,558	29.630	\$ 579,512			
EUR	33,693	33.27	1,120,977			
JPY	1,799,107	0.2751	494,934			
RMB	1,003,746	4.191	4,206,701			
Non-monetary items						
USD	5,017	29.630	148,654			
ILS	12,809	8.496	108,821			
<u>Financial liabilities</u>						
Monetary items						
USD	2,534	29.630	75,076			
EUR	1,021	33.27	33,985			
JPY	216,792	0.2751	59,640			
RMB	5,349	4.191	22,416			

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

Foreign Currencies	For the Three Months Ended June 30, 2021		For the Three Months Ended June 30, 2020	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	<u>\$ 39,979</u>	1 (NTD:NTD)	<u>\$ 41,220</u>

Foreign Currencies	For the Six Months Ended June 30, 2021		For the Six Months Ended June 30, 2020	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	<u>\$158,513</u>	1 (NTD:NTD)	<u>\$ 67,318</u>

32. 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. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
- 6) 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 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
- 9) Trading in derivative instruments. (Notes 7 and 27)
- 10) Other: intercompany relationships and significant intercompany transactions. (Table 8)
- 11) Information on investees. (Table 9)

- 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 10)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 6 and 8)
 - 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 period and the purposes. (None)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)

32. SEGMENT INFORMATION

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

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

	For the Six Months Ended June 30			
	Segment Revenue		Segment Profit	
	2021	2020	2021	2020
Linear guideways	\$ 8,352,126	\$ 5,994,676	\$ 1,817,271	\$ 655,187
Ballscrews	2,567,258	1,835,147	437,088	123,492
Others	<u>2,120,565</u>	<u>1,412,820</u>	<u>(16,339)</u>	<u>(176,500)</u>
Total from continuing operations	<u>\$ 13,039,949</u>	<u>\$ 9,242,643</u>	2,238,020	602,179
Subsidy revenue			21,264	22,500
Finance costs			(85,768)	(116,008)
Share of profit of associates accounted for using the equity method			20,574	11,076
Interest income			6,026	7,997
Gain from bargain purchase			-	48,159
Other income			60,399	90,952
Valuation gain (loss) on financial assets (liabilities) at FVTPL			(588)	8,649
Other expenses			(9,377)	(4,501)
Net foreign exchange loss			<u>(164,937)</u>	<u>(79,873)</u>
Profit before income tax			<u>\$ 2,085,613</u>	<u>\$ 591,130</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the six months ended June 30, 2021 and 2020.

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 254,500	\$ 95,523	\$ 95,523	1.49%	1	Sales \$450,388	-	\$ -	-	\$ -	\$ 4,282,828	\$ 8,565,656
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	52,902	-	-	1.49%	1	Sales 490,610	-	-	-	-	4,282,828	8,565,656

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Corporation based on its latest financial statements. For financing provided by the Corporation due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the 2 parties within 1 year from the date of financing or in the most recent year based on the principle that business transactions have already occurred between the two parties.

Note 2: The nature of financing is numbered as follows:

1. A company that has business dealings with the lender.
2. A company with short-term financing needs.

Note 3: The total amount of the Corporation's accumulated financing provided should not exceed 30% of the Corporation's net assets as shown in its latest financial statements.

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix	Subsidiary	\$ 2,855,219	\$ 78,700 (GBP 2,000)	\$ 77,080 (GBP 2,000)	\$ 55,883 (GBP 1,450)	\$ -	0.3%	\$ 9,993,265	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	2,855,219	507,600 (EUR 15,000)	497,250 (EUR 15,000)	272,730 (EUR 8,227)	-	1.7%	9,993,265	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	2,855,219	2,250,000	2,175,000	1,966,000	-	7.6%	9,993,265	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	2,855,219	334,320 (USD 12,000)	167,160 (USD 6,000)	22,288 (USD 800)	-	0.6%	9,993,265	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	2,855,219	342,420 (USD 12,000)	334,320 (USD 12,000)	140,693 (USD 5,050)	-	1.2%	9,993,265	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	2,855,219	1,724,250 (JPY 6,690,920)	1,684,972 (JPY 6,683,744)	1,558,922 (JPY 6,183,744)	-	5.9%	9,993,265	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	2,855,219	1,100,000	1,000,000	252,000	-	3.5%	9,993,265	Yes	-	-

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

Note 2: The aggregate endorsement/guarantee limit is 35% of the Corporation's net assets as shown in its latest financial statements.

Note 3: The ending balance has been approved by the board of directors.

Note 4: The amounts denominated in foreign currencies were translated into the New Taiwan dollar at the exchange rate prevailing at the end of last month.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,889	-	\$ 2,889	
	<u>Shares</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,431,363	1,169,489	8	1,169,489	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	44,383	3	44,383	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,950	-	2,950	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	
	Kaland	-	Financial assets at FVTOCI - non-current	323,289	27,212	19	27,212	

Note: For information on the investments in subsidiaries and associates, see Tables 9 and 10.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount (Note 2)
The Corporation	Share capital	Investments accounted for using the equity method	Matrix Precision	Subsidiary	2,171,075	\$ 95,313	32,123,000	\$ 419,420	-	\$ -	\$ -	\$ -	\$ (45,733) (Note 1)	34,294,075	\$ 469,000

Note 1: Including investment loss and other comprehensive loss accounted for using the equity method of \$(47,692) thousand, and an increase in net assets of \$1,959 thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

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

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 SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Corporation	Yunlin Technology Factory	2021.6.28	\$ 458,000	\$ -	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
Hiwin Japan	Kobe Technology Factory	2021.3.23	1,075,850 (JPY 4,033,920)	305,085 (JPY 1,210,176)	Obayashi Corporation	None	-	-	-	-	Vendor bidding	Plant construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin China	Subsidiary	Sale	\$ (2,073,644)	(20%)	O/A 120 days	\$ -	-	\$ 1,510,789	26%	
	Hiwin Germany	Subsidiary	Sale	(651,174)	(6%)	O/A 90 days	-	-	372,340	6%	
	Hiwin Italy	Subsidiary	Sale	(320,799)	(3%)	O/A 180 days	-	-	315,754	5%	
	Hiwin Japan	Subsidiary	Sale	(288,918)	(3%)	O/A 150 days	-	-	357,332	6%	
	Hiwin USA	Subsidiary	Sale	(190,420)	(2%)	O/A 120 days	-	-	139,121	2%	
	Hiwin Korea	Subsidiary	Sale	(172,677)	(2%)	O/A 180 days	-	-	175,372	3%	
	Hiwia Schweiz	Subsidiary	Sale	(104,179)	(1%)	O/A 60 days	-	-	47,736	1%	
	Hiwin China	The Corporation	Parent company	Purchase	2,073,644	93%	O/A 120 days	-	-	(1,510,789)	(95%)
Hiwin Germany	The Corporation	Parent company	Purchase	651,174	60%	O/A 90 days	-	-	(372,340)	(77%)	
	Hiwin Mikrosystem	Other related party	Purchase	126,139	12%	O/A 90 days	-	-	(70,073)	(14%)	
Hiwin Italy	The Corporation	Parent company	Purchase	320,799	93%	O/A 180 days	-	-	(315,754)	(94%)	
Hiwin Japan	The Corporation	Parent company	Purchase	288,918	90%	O/A 150 days	-	-	(357,332)	(96%)	
Hiwin USA	The Corporation	Parent company	Purchase	190,420	64%	O/A 120 days	-	-	(139,121)	(75%)	
	Hiwin Mikrosystem	Other related party	Purchase	102,759	35%	O/A 90 days	-	-	(32,465)	(17%)	
Hiwin Korea	The Corporation	Parent company	Purchase	172,677	89%	O/A 180 days	-	-	(175,372)	(91%)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	104,179	62%	O/A 60 days	-	-	(47,736)	(88%)	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 357,332	2.00	\$ -	-	\$ -	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	97,027	-	-	-	81,937	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	372,340	4.08	-	-	78,447	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	315,754	2.04	-	-	32,442	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	409	-	-	-	409	-
	Hiwin China	Subsidiary	Trade receivables from related parties	1,510,789	3.33	-	-	320,278	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	139,121	3.24	-	-	26,606	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	175,372	2.78	-	-	-	-

Note : Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hiwin Germany	1	Sales	\$ 651,174	O/A 90 days	5
			1	Trade receivables	372,340	O/A 90 days	1
		Hiwin Japan	1	Sales	288,918	O/A 150 days	2
			1	Trade receivables	357,332	O/A 150 days	1
		Hiwin China	1	Other receivables	97,027	-	-
			1	Sales	2,073,644	O/A 120 days	16
		Hiwin Italy	1	Trade receivables	1,510,789	O/A 120 days	3
			1	Sales	320,799	O/A 180 days	2
		Hiwin USA	1	Trade receivables	315,754	O/A 180 days	1
			1	Sales	190,420	O/A 120 days	1
		Hiwin Korea	1	Trade receivables	139,121	O/A 120 days	-
			1	Sales	172,677	O/A 180 days	1
		Hiwin Schweiz	1	Trade receivables	175,372	O/A 180 days	-
			1	Sales	104,179	O/A 60 days	1
		Hiwin Singapore	1	Trade receivables	47,736	O/A 60 days	-
			1	Sales	67,416	O/A 120 days	1
			1	Trade receivables	46,098	O/A 120 days	-

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

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

Note 3: Unrealized gains from Hiwin China totaled \$234,039 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 2,009,816	\$ 197,612	\$ 197,612	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	688,915	71,114	71,114	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	817,642	62,200	100	84,893	(46,213)	(46,213)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	164,180	36,743	14,697	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	3,224,132	2,983,556	195,507,103	76	(681,216)	(275,815)	(204,723)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	12,653	17,223	17,223	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(81,912)	10,611	10,611	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	603,244	34,294,075	50	469,000	(95,116)	(47,408)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,638	(9)	(9)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	112,186	43,637	43,637	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	232,318	(30,239)	(27,641)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	187,682	38,168	38,168	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	65,872 (EUR 1,987)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	42,659	38,168	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

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

Note 3: For information on investments in mainland China, see Table 10.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of June 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2021	Accumulated Repatriation of Investment Income as of June 30, 2021
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 234,386 (USD 8,413)	(Note 1)	\$ 19,256 (USD 804)	\$ -	\$ -	\$ 19,256 (USD 804)	\$ 70,030	19	(Note 3)	\$ 27,212	\$ 132,389 (USD 4,388)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	154,802	100	\$ 154,802 (Notes 4 and 6)	1,771,716 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(4,210)	50	(2,111) (Notes 4 and 6)	- (Note 6)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	622	50	312 (Notes 4 and 6)	3,011 (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,517,296 (USD 804 and RMB 300,000)	\$ 1,557,370 (USD 9,500 and RMB 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and RMB 2,000)	\$ 23,123 (USD 439 and RMB 2,000)	\$ 58,733 (Note 5)

Note 1: The investment in the company in mainland China was made through reinvestment in an existing company established in a third country.

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

Note 3: The investment in Kaland was accounted for as a financial asset measured at FVTOCI; thus, no investment gain or loss was recognized.

Note 4: Except for the financial statements of Hiwin China which were reviewed by the independent auditors of the Corporation, the share of profit or loss of the rest of the companies were calculated based on the unreviewed financial statements for the same reporting period.

Note 5: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Corporation has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 11**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,087,669	6.67%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Corporation's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

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