

**Hiwin Technologies Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HIWIN TECHNOLOGIES CORPORATION

By:

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Chuo, Wen, Hen  
President

February 25, 2022

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hiwin Technologies Corporation

### Opinion

We have audited the accompanying consolidated financial statements of Hiwin Technologies Corporation (the "Corporation") and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2021 are described as follows:

#### Revenue Recognition

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

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

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

#### Valuation and Impairment Assessment of Inventory

As of December 31, 2021, the carrying amount of inventory was \$8,322,994 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the consolidated financial statements.

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

1. We understood and assessed the related internal controls and procedures on the valuation of inventory.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.
3. We tested the net realizable value of sample inventory items, and checked the accuracy of the net realizable value.
4. We compared the net realizable value of sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

#### **Other Matter**

We have also audited the parent company only financial statements of Hiwin Technologies Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2022

Notice to Readers

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

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,433,053	11	\$ 2,603,652	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,895	-	128	-
Notes receivable from unrelated parties, net (Notes 4, 9 and 28)	1,068,266	2	1,208,512	2
Notes receivable from related parties, net (Notes 4 and 27)	1,263	-	693	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	3,181,354	6	5,116,498	11
Trade receivables from related parties, net (Notes 4 and 27)	18,824	-	16,211	-
Inventories (Notes 4, 5 and 10)	8,322,994	16	6,197,806	13
Other current assets (Notes 6, 27 and 28)	<u>524,723</u>	<u>1</u>	<u>465,683</u>	<u>1</u>
Total current assets	<u>18,553,372</u>	<u>36</u>	<u>15,609,183</u>	<u>32</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,466,280	3	944,234	2
Financial assets at amortized cost - non-current (Note 4)	2,890	-	2,906	-
Investments accounted for using the equity method (Notes 4 and 12)	252,746	-	219,832	-
Property, plant and equipment (Notes 4, 13, 27 and 28)	27,354,252	54	27,864,527	58
Right-of-use assets (Notes 4, 14, 27 and 28)	671,119	1	729,913	2
Goodwill (Note 4)	256,163	1	256,163	1
Deferred tax assets (Notes 4 and 21)	663,462	1	361,720	1
Prepayments for machinery and equipment (Note 15)	1,450,528	3	1,768,214	4
Refundable deposits (Note 4)	102,135	-	63,913	-
Other non-current assets (Notes 4 and 9)	<u>258,872</u>	<u>1</u>	<u>217,177</u>	<u>-</u>
Total non-current assets	<u>32,478,447</u>	<u>64</u>	<u>32,428,599</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 51,031,819</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 28)	\$ 4,952,785	10	\$ 5,542,045	12
Short-term bills payable (Note 16)	89,923	-	19,936	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,580	-	7,327	-
Contract liabilities - current (Note 4)	172,745	-	102,129	-
Notes payable	1,665	-	8,762	-
Trade payables to unrelated parties	3,903,043	8	3,182,134	7
Trade payables to related parties (Note 27)	231,245	-	111,356	-
Other payables (Notes 17 and 27)	2,182,726	4	1,623,389	3
Current tax liabilities (Notes 4 and 21)	1,301,291	3	335,972	1
Lease liabilities - current (Notes 4, 14 and 27)	117,536	-	136,892	-
Current portion of long-term borrowings (Notes 16 and 28)	807,197	2	1,273,168	3
Other current liabilities (Note 4)	<u>89,805</u>	<u>-</u>	<u>108,193</u>	<u>-</u>
Total current liabilities	<u>13,852,541</u>	<u>27</u>	<u>12,451,303</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 16 and 28)	5,378,148	11	6,892,359	14
Deferred tax liabilities (Notes 4 and 21)	681,423	1	556,757	1
Lease liabilities - non-current (Notes 4, 14 and 27)	408,872	1	442,220	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	230,051	-	294,571	1
Other non-current liabilities (Note 16)	<u>13,669</u>	<u>-</u>	<u>11,178</u>	<u>-</u>
Total non-current liabilities	<u>6,712,163</u>	<u>13</u>	<u>8,197,085</u>	<u>17</u>
Total liabilities	<u>20,564,704</u>	<u>40</u>	<u>20,648,388</u>	<u>43</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
Ordinary shares	3,407,923	7	3,308,663	7
Capital surplus	5,516,470	11	5,600,568	11
Retained earnings				
Legal reserve	3,071,586	6	2,892,584	6
Unappropriated earnings	17,609,166	34	15,363,677	32
Other equity	<u>675,140</u>	<u>1</u>	<u>396,636</u>	<u>1</u>
Total equity attributable to owners of the Corporation	30,280,285	59	27,562,128	57
<b>NON-CONTROLLING INTERESTS</b>	<u>186,830</u>	<u>1</u>	<u>(172,734)</u>	<u>-</u>
Total equity	<u>30,467,115</u>	<u>60</u>	<u>27,389,394</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 51,031,819</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 27,265,162	100	\$ 21,266,659	100
COST OF GOODS SOLD (Notes 10, 20 and 27)	<u>17,449,754</u>	<u>64</u>	<u>15,476,252</u>	<u>73</u>
GROSS PROFIT	<u>9,815,408</u>	<u>36</u>	<u>5,790,407</u>	<u>27</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	1,643,052	6	1,339,520	6
General and administrative expenses	1,998,871	7	1,704,259	8
Research and development expenses	<u>1,058,892</u>	<u>4</u>	<u>1,014,154</u>	<u>5</u>
Total operating expenses	<u>4,700,815</u>	<u>17</u>	<u>4,057,933</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>5,114,593</u>	<u>19</u>	<u>1,732,474</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	103,224	-	123,581	-
Finance costs (Notes 4, 20 and 27)	(169,159)	-	(220,921)	(1)
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	41,618	-	33,700	-
Interest income (Note 4)	13,406	-	13,082	-
Gain from bargain purchase (Notes 4 and 23)	-	-	46,271	-
Other income (Notes 4 and 27)	104,721	1	126,497	1
Other expenses	(4,101)	-	(31,043)	-
Gain (loss) on disposal of property, plant and equipment (Note 4)	(44,474)	-	340,046	2
Net foreign exchange gain (loss) (Notes 4 and 30)	(180,516)	(1)	186,774	1
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	(4,492)	-	(46,990)	-
Impairment loss (Notes 4 and 13)	<u>(500,000)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(639,773)</u>	<u>(2)</u>	<u>570,997</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	4,474,820	17	2,303,471	11
INCOME TAX EXPENSE (Notes 4 and 21)	<u>1,320,127</u>	<u>5</u>	<u>604,692</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>3,154,693</u>	<u>12</u>	<u>1,698,779</u>	<u>8</u>

(Continued)



# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 5,149	-	\$ (66,387)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	541,302	2	71,167	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>(1,646)</u>	<u>-</u>	<u>14,874</u>	<u>-</u>
	<u>544,805</u>	<u>2</u>	<u>19,654</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(328,919)	(1)	92,246	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>65,558</u>	<u>-</u>	<u>(18,176)</u>	<u>-</u>
	<u>(263,361)</u>	<u>(1)</u>	<u>74,070</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>281,444</u>	<u>1</u>	<u>93,724</u>	<u>-</u>
	<u>\$ 3,436,137</u>	<u>13</u>	<u>\$ 1,792,503</u>	<u>8</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,532,230	13	\$ 1,929,730	9
Non-controlling interests	<u>(377,537)</u>	<u>(1)</u>	<u>(230,951)</u>	<u>(1)</u>
	<u>\$ 3,154,693</u>	<u>12</u>	<u>\$ 1,698,779</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,814,946	14	\$ 2,017,501	9
Non-controlling interests	<u>(378,809)</u>	<u>(1)</u>	<u>(224,998)</u>	<u>(1)</u>
	<u>\$ 3,436,137</u>	<u>13</u>	<u>\$ 1,792,503</u>	<u>8</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 10.36</u>		<u>\$ 5.87</u>	
Diluted	<u>\$ 10.33</u>		<u>\$ 5.86</u>	

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 19)								
	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
			Legal Reserve	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)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	2,335,000	-	2,335,000
Changes in non-controlling interests	-	-	-	-	-	-	-	99,460	99,460
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	(125,678)	-	-	(125,678)	125,678	-
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	84,098	(84,098)	-
Share-based payments	-	65,196	-	-	-	-	65,196	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	42,136	-	(42,136)	-	-	-
Net profit (loss) for the year ended December 31, 2020	-	-	-	1,929,730	-	-	1,929,730	(230,951)	1,698,779
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	(56,166)	72,770	71,167	87,771	5,953	93,724
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,873,564	72,770	71,167	2,017,501	(224,998)	1,792,503
BALANCE AT DECEMBER 31, 2020	3,308,663	5,600,568	2,892,584	15,363,677	(336,864)	733,500	27,562,128	(172,734)	27,389,394
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	-	(84,098)	-	(350,958)	-	-	(435,056)	435,056	-
Changes in non-controlling interests	-	-	-	-	-	-	-	303,317	303,317
Net profit (loss) for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230	(377,537)	3,154,693
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716	(1,272)	281,444
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946	(378,809)	3,436,137
BALANCE AT DECEMBER 31, 2021	\$ 3,407,923	\$ 5,516,470	\$ 3,071,586	\$ 17,609,166	\$ (599,662)	\$ 1,274,802	\$ 30,280,285	\$ 186,830	\$ 30,467,115

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,474,820	\$ 2,303,471
Adjustments for:		
Depreciation expenses	2,186,546	2,269,473
Amortization expenses	49,652	58,870
Expected credit loss recognized on trade receivables	3,882	7,707
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(315)	7,199
Finance costs	169,159	220,921
Interest income	(13,406)	(13,082)
Dividend income	(31,499)	(35,495)
Compensation costs of employees' share-based payments	-	65,196
Share of profit or loss of associates accounted for using the equity method	(41,618)	(33,700)
Loss (gain) on disposal of property, plant and equipment	44,474	(340,046)
Impairment loss recognized on non-financial assets	588,940	214,772
Unrealized foreign currency exchange loss (gain), net	27,703	(94,848)
Gain from bargain purchase	-	(46,271)
Others	(731)	(4,055)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(7,199)	2,555
Notes receivable	116,105	(784,838)
Trade receivables	1,803,353	(563,060)
Inventories	(2,286,086)	1,603,102
Other current assets	(72,223)	(22,422)
Contract liabilities	70,616	(17,940)
Notes payable	(7,097)	181
Trade payables	1,083,993	962,043
Other payables	659,995	(6,797)
Other current liabilities	(12,890)	8,774
Net defined benefit liabilities	(55,164)	(49,632)
Cash generated from operations	8,751,010	5,712,078
Interest received	13,388	13,108
Dividend received	31,499	35,495
Interest paid	(180,283)	(235,933)
Income taxes paid	(455,282)	(273,317)
Net cash generated from operating activities	<u>8,160,332</u>	<u>5,251,431</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(12,606)
Proceeds from liquidation of financial assets at fair value through other comprehensive income	19,256	-

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Return of capital surplus from financial assets at fair value through other comprehensive income	\$ -	\$ 120,477
Net cash inflow on acquisition of subsidiaries (Note 23)	-	12,648
Payments for property, plant and equipment	(1,493,571)	(1,073,608)
Proceeds from disposal of property, plant and equipment	5,358	688,500
Decrease (increase) in refundable deposits	(41,589)	17,007
Decrease in other financial assets	-	3,300
Increase in other non-current assets	(113,764)	(110,929)
Increase in prepayments for machinery and equipment	(764,316)	(555,341)
Dividend received from associates	<u>4,046</u>	<u>9,610</u>
Net cash used in investing activities	<u>(2,384,580)</u>	<u>(900,942)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from short-term borrowings	(457,552)	(4,220,849)
Proceeds from short-term bills payable	69,987	19,936
Proceeds from long-term borrowings	546,898	573,048
Repayments of long-term borrowings	(2,482,903)	(1,773,362)
Repayment of the principal portion of lease liabilities	(159,506)	(172,453)
Increase (decrease) in other non-current liabilities	3,599	(1,049)
Dividends paid	(661,733)	(557,242)
Proceeds from issuance of ordinary shares	-	2,335,000
Acquisition of additional shares of subsidiary	-	(200,000)
Changes in non-controlling interests	<u>303,317</u>	<u>229,665</u>
Net cash used in financing activities	<u>(2,837,893)</u>	<u>(3,767,306)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(108,458)</u>	<u>11,724</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,829,401	594,907
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,603,652</u>	<u>2,008,745</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 5,433,053</u>	<u>\$ 2,603,652</u>

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on February 25, 2022.

### 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 the 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 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 for deferred taxes that 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 the 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

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

##### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

##### d. Basis of consolidation

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

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

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

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

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

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

e. Business combinations

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

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

f. Foreign currencies

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

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

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

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



g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant, and equipment

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

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

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

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

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

3) Derecognition of intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

### iii. Investments in equity instruments at FVTOCI

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

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

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

## b) Impairment of financial assets

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

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

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

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

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

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

## c) Derecognition of financial assets

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

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

## 2) Equity instruments

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

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

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

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

#### Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 26.

#### b) Derecognition of financial liabilities

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

### 4) Derivative financial instruments

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

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

#### n. Provision

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

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

#### o. Revenue recognition

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

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

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

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

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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



q. Borrowing costs

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

r. Government grants

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

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of

issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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

u. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty - Write-down of Inventories

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 1,735	\$ 2,324
Checking accounts and demand deposits	5,024,410	2,362,456
Pledged time deposits	2,000	2,000
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>406,908</u>	<u>238,872</u>
	5,435,053	2,605,652
Less: Pledged time deposits (classified as other current assets)	<u>(2,000)</u>	<u>(2,000)</u>
	<u>\$ 5,433,053</u>	<u>\$ 2,603,652</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.40	0.00-0.40
Time deposits (investments with original maturities of 3 months or less)	0.59-2.66	0.05-2.40
Pledged time deposits	0.82	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>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	RMB165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873
<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

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

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

	<u>December 31</u>	
	2021	2020
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 1,076,401	\$ 860,140
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	386,799	45,017
Taichung International Country Club	3,080	2,650
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	36,427
	<u>\$ 1,466,280</u>	<u>\$ 944,234</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 August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated in August 2021 for net proceeds of US\$804 thousand.

In December 2020, the Corporation acquired additional shares amounting to \$12,606 thousand in Ever Fortune, and Ever Fortune's shares have been listed on the Emerging Stock Market in September 2021.

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

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 1,070,150	\$ 1,209,090
Less: Allowance for impairment loss	<u>(1,884)</u>	<u>(578)</u>
	<u>\$ 1,068,266</u>	<u>\$ 1,208,512</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 3,198,244	\$ 5,133,330
Less: Allowance for impairment loss	<u>(16,890)</u>	<u>(16,832)</u>
	<u>\$ 3,181,354</u>	<u>\$ 5,116,498</u>

### a. Notes receivable

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

	<u>December 31</u>	
	2021	2020
Not past due	\$ 1,070,150	\$ 1,209,090
Past due	<u>-</u>	<u>-</u>
	<u>\$ 1,070,150</u>	<u>\$ 1,209,090</u>

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

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	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 guarantees and short-term borrowings, refer to Notes 16 and 28.

b. Trade receivables

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated 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>December 31, 2021</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 3,049,863	\$ 133,806	\$ 1,142	\$ 13,433	\$ 3,198,244
Loss allowance (Lifetime ECL)	<u>(2,383)</u>	<u>(1,853)</u>	<u>(520)</u>	<u>(12,134)</u>	<u>(16,890)</u>
Amortized cost	<u>\$ 3,047,480</u>	<u>\$ 131,953</u>	<u>\$ 622</u>	<u>\$ 1,299</u>	<u>\$ 3,181,354</u>

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<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 ECL)	<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>

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

	<u>For the Year Ended December 31, 2021</u>		
	<u>Notes Receivable</u>	<u>Trade Receivables</u>	<u>Other Receivables</u>
Balance at January 1, 2021	\$ 578	\$ 16,832	\$ 27,395
Net remeasurement of loss allowance	1,306	2,576	-
Amounts written off	-	(991)	-
Foreign exchange gains and losses	<u>-</u>	<u>(1,527)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 1,884</u>	<u>\$ 16,890</u>	<u>\$ 27,395</u>

	<u>For the Year Ended December 31, 2020</u>		
	<u>Notes Receivable</u>	<u>Trade Receivables</u>	<u>Other Receivables</u>
Balance at January 1, 2020	\$ 597	\$ 27,507	\$ 13,697
Net remeasurement of loss allowance	(19)	(5,972)	13,698
Amounts written off	-	(4,160)	-
Foreign exchange gains and losses	<u>-</u>	<u>(543)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 578</u>	<u>\$ 16,832</u>	<u>\$ 27,395</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Merchandise	\$ 2,962	\$ 2,086
Finished goods	2,249,676	1,989,847
Work in process	2,039,018	1,692,451
Raw materials and supplies	2,664,833	2,272,683
Inventory in transit	<u>1,366,505</u>	<u>240,739</u>
	<u>\$ 8,322,994</u>	<u>\$ 6,197,806</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$17,449,754 thousand and \$15,476,252 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$88,940 thousand and \$214,772 thousand, respectively, and unallocated fixed overhead of \$405,216 thousand and \$386,739 thousand, respectively.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership	
			2021	2020
The Corporation	Hiwin Corporation, U.S.A. ("Hiwin USA")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation, Japan ("Hiwin Japan")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin GmbH ("Hiwin Germany")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Eterbright Solar Corporation ("Eterbright") (Note 24)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	85	74
	Hiwin Singapore Pte. Ltd. ("Hiwin Singapore")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation Co., Ltd. ("Hiwin Korea")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Technologies (China) Corporation ("Hiwin China")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Matrix Precision Co., Ltd. ("Matrix Precision") (Note 24)	Research, development, production, manufacture and sale of gear cutting tools and machinery	50	51
	Hiwin Healthcare Corp.	Sale of medical robots	100	100
	Hiwin S.R.L. ("Hiwin Italy")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
Hiwin Germany	Matrix Machine Tool (Coventry) Limited (Matrix)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100
	Hiwin (Schweiz) GmbH ("Hiwin Schweiz")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	81
Matrix Precision	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19
	Luren Precision Machinery (Shanghai) Co., Ltd. ("Luren Shanghai")	Sale of gear cutting tools and machinery	-	100
	Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sale of gear cutting tools and machinery	100	100

The Corporation acquired 50% and 31% of the 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 held by Hiwin Germany before the acquisition, the Group's total percentage of ownership in Hiwin Schweiz was 100%, and Hiwin Schweiz became a subsidiary of the Group.

Luren Shanghai has been liquidated in June 2021.



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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2021	2020
Eterbright	15%	26%
Matrix Precision	50%	49%

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

Name of Subsidiary	Income (Loss) and Comprehensive Income (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
Eterbright	\$ (246,577)	\$ (138,070)	\$ (19,727)	\$ (220,053)
Matrix Precision	(132,232)	(91,456)	206,557	47,319
Hiwin Schweiz	<u>-</u>	<u>4,528</u>	<u>-</u>	<u>-</u>
	<u>\$ (378,809)</u>	<u>\$ (224,998)</u>	<u>\$ 186,830</u>	<u>\$ (172,734)</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	December 31	
	2021	2020
Current assets	\$ 191,166	\$ 247,253
Non-current assets	501,690	1,148,335
Current liabilities	(761,409)	(2,158,118)
Non-current liabilities	<u>(63,487)</u>	<u>(89,397)</u>
Equity	<u>\$ (132,040)</u>	<u>\$ (851,927)</u>
Equity attributable to:		
Owners of Eterbright	\$ (112,313)	\$ (631,874)
Non-controlling interests of Eterbright	<u>(19,727)</u>	<u>(220,053)</u>
	<u>\$ (132,040)</u>	<u>\$ (851,927)</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	\$ 27,406	\$ 41,357
Net loss for the year	\$ (1,030,113)	\$ (534,534)
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (1,030,113)</u>	<u>\$ (534,534)</u>
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (783,536)	\$ (396,464)
Non-controlling interests of Eterbright	<u>(246,577)</u>	<u>(138,070)</u>
	<u>\$ (1,030,113)</u>	<u>\$ (534,534)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (313,635)	\$ (313,604)
Investing activities	(170,949)	(35,951)
Financing activities	<u>463,309</u>	<u>363,436</u>
Net cash inflow (outflow)	<u>\$ (21,275)</u>	<u>\$ 13,881</u>

Matrix Precision and Matrix Precision's subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 542,348	\$ 555,851
Non-current assets	1,357,877	1,389,660
Current liabilities	(558,590)	(890,223)
Non-current liabilities	<u>(920,694)</u>	<u>(957,400)</u>
Equity	<u>\$ 420,941</u>	<u>\$ 97,888</u>
Equity attributable to:		
Owners of Matrix Precision	\$ 210,891	\$ 47,971
Non-controlling interests of Matrix Precision	<u>210,050</u>	<u>50,691</u>
	<u>\$ 420,941</u>	<u>\$ 97,888</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	\$ 319,954	\$ 222,684
Net loss for the year	\$ (262,398)	\$ (212,378)
Other comprehensive income (loss) for the year	<u>(2,549)</u>	<u>9,631</u>
Total comprehensive loss for the year	<u>\$ (264,947)</u>	<u>\$ (202,747)</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss attributable to:		
Owners of Matrix Precision	\$ (131,492)	\$ (115,805)
Non-controlling interests of Matrix Precision	<u>(130,906)</u>	<u>(96,573)</u>
	<u>\$ (262,398)</u>	<u>\$ (212,378)</u>
Total comprehensive loss attributable to:		
Owners of Matrix Precision	\$ (1,277)	\$ (110,886)
Non-controlling interests of Matrix Precision	<u>(1,272)</u>	<u>(91,861)</u>
	<u>\$ (2,549)</u>	<u>\$ (202,747)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (136,297)	\$ 337,748
Investing activities	(31,767)	(30,544)
Financing activities	<u>178,790</u>	<u>(266,923)</u>
Net cash inflow	<u>\$ 10,726</u>	<u>\$ 40,281</u> (Concluded)

Hiwin Schweiz

	<b>For the Eight Months Ended November 30, 2020</b>
Revenue	<u>\$ 201,189</u>
Net income for the period	\$ 10,605
Other comprehensive income for the period	<u>4,002</u>
Total comprehensive income for the period	<u>\$ 14,607</u>
Income and total comprehensive income attributable to:	
Owners of Hiwin Schweiz	\$ 10,079
Non-controlling interests of Hiwin Schweiz	<u>4,528</u>
	<u>\$ 14,607</u>

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Associates that are not individually material	<u>\$ 252,746</u>	<u>\$ 219,832</u>
	<b>For the Year Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The Group's share of:		
Profit for the year	\$ 41,618	\$ 33,700
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 41,618</u>	<u>\$ 33,700</u>

Except for Hiwin S.R.O., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity-method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Hiwin S.R.O. that have not been audited.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>For the Year Ended December 31, 2021</u>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Translation Adjustments</b>	<b>Ending Balance</b>
<u>Cost</u>						
Land	\$ 5,516,026	\$ -	\$ -	\$ -	\$ (91,902)	\$ 5,424,124
Buildings and improvements	13,981,515	25,236	(92)	115,284	(102,827)	14,019,116
Machinery and equipment	15,143,381	235,079	(1,231,197)	1,025,702	(65,372)	15,107,593
Transportation equipment	218,095	39,573	(30,759)	30,010	(16,272)	240,647
Leasehold improvements	118,059	5,711	(6,229)	10,985	(6,578)	121,948
Miscellaneous equipment	2,847,657	119,569	(274,035)	12,103	(28,625)	2,676,669
Construction in progress	<u>710,843</u>	<u>1,031,474</u>	<u>-</u>	<u>(114,465)</u>	<u>(50,001)</u>	<u>1,577,851</u>
	<u>38,535,576</u>	<u>\$ 1,456,642</u>	<u>\$ (1,542,312)</u>	<u>\$ 1,079,619</u>	<u>\$ (361,577)</u>	<u>39,167,948</u>
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	2,029,881	\$ 339,621	\$ (92)	\$ (10,984)	\$ (28,831)	2,329,595
Machinery and equipment	6,605,652	2,019,117	(1,188,682)	271	(32,361)	7,403,997
Transportation equipment	125,607	34,237	(30,460)	6	(9,417)	119,973
Leasehold improvements	107,618	5,014	(6,229)	9,604	(5,357)	110,650
Miscellaneous equipment	<u>1,802,291</u>	<u>332,456</u>	<u>(267,017)</u>	<u>769</u>	<u>(19,018)</u>	<u>1,849,481</u>
	<u>10,671,049</u>	<u>\$ 2,730,445</u>	<u>\$ (1,492,480)</u>	<u>\$ (334)</u>	<u>\$ (94,984)</u>	<u>11,813,696</u>
	<u>\$ 27,864,527</u>					<u>\$ 27,354,252</u>

For the Year Ended December 31, 2020

	Beginning Balance	Acquisitions Through Business Combination (Note 23)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>							
Land	\$ 5,598,313	\$ -	\$ 22	\$ (80,898)	\$ -	\$ (1,411)	\$ 5,516,026
Buildings and improvements	13,715,699	-	38,831	(388,419)	581,709	33,695	13,981,515
Machinery and equipment	15,985,180	359	355,590	(2,254,368)	1,043,231	13,389	15,143,381
Transportation equipment	203,152	10,310	27,100	(27,600)	-	5,133	218,095
Leasehold improvements	118,293	-	1,068	(1,740)	-	438	118,059
Miscellaneous equipment	2,795,397	4,314	98,881	(91,326)	37,382	3,009	2,847,657
Construction in progress	671,639	-	608,801	-	(581,513)	11,916	710,843
	<u>39,087,673</u>	<u>\$ 14,983</u>	<u>\$ 1,130,293</u>	<u>\$ (2,844,351)</u>	<u>\$ 1,080,809</u>	<u>\$ 66,169</u>	<u>38,535,576</u>
<u>Accumulated depreciation and impairment</u>							
Buildings and improvements	1,826,396	\$ -	\$ 334,982	\$ (142,136)	\$ -	\$ 10,639	2,029,881
Machinery and equipment	7,168,883	105	1,676,365	(2,245,060)	-	5,359	6,605,652
Transportation equipment	104,874	5,745	33,665	(21,654)	-	2,977	125,607
Leasehold improvements	103,480	-	5,424	(1,740)	-	454	107,618
Miscellaneous equipment	1,604,612	2,066	279,213	(85,307)	-	1,707	1,802,291
	<u>10,808,245</u>	<u>\$ 7,916</u>	<u>\$ 2,329,649</u>	<u>\$ (2,495,897)</u>	<u>\$ -</u>	<u>\$ 21,136</u>	<u>10,671,049</u>
	<u>\$ 28,279,428</u>						<u>\$ 27,864,527</u>

As a result of the declining selling price of the products of Eterbright due to strong competition, the estimated future cash flows expected from the related machinery and equipment decreased. Eterbright carried out a review of the recoverable amount of the related machinery and equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$500,000 thousand in the year ended December 31, 2021. Eterbright determined the recoverable amount of the relevant machinery and equipment on the basis of their value in use. The discount rate used in measuring the value in use was 11.55% per annum.

The above impairment loss has been included under the impairment loss in the consolidated statements of comprehensive income.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives 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	2-17 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Land	\$ 310,418	\$ 330,424
Buildings	338,537	370,195
Transportation equipment	21,452	28,604
Miscellaneous equipment	<u>712</u>	<u>690</u>
	<u>\$ 671,119</u>	<u>\$ 729,913</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 132,061</u>	<u>\$ 132,929</u>
Acquisitions through business combination (Note 23)	<u>\$ -</u>	<u>\$ 32,540</u>
Depreciation charge for right-of-use assets		
Land	\$ 20,541	\$ 20,387
Buildings	137,350	150,995
Transportation equipment	7,316	8,399
Miscellaneous equipment	<u>301</u>	<u>593</u>
	<u>\$ 165,508</u>	<u>\$ 180,374</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	<u>\$ 117,536</u>	<u>\$ 136,892</u>
Non-current	<u>\$ 408,872</u>	<u>\$ 442,220</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.45%-1.50%	1.45%-1.50%
Buildings	0.90%-4.10%	1.35%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.23%-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 2 to 50 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 17,886</u>	<u>\$ 7,744</u>
Expenses relating to low-value asset leases	<u>\$ 8,719</u>	<u>\$ 3,504</u>
Total cash outflow for leases	<u>\$ (196,024)</u>	<u>\$ (194,352)</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 is as follows:

	<b>December 31</b>	
<b>The Date of Initial Cost Contribution</b>	<b>2021</b>	<b>2020</b>
Within 1 year	\$ 572,689	\$ 394,027
1-2 years	177,404	350,426
2-5 years	626,081	1,002,410
More than 5 years	<u>74,354</u>	<u>21,351</u>
	<u>\$ 1,450,528</u>	<u>\$ 1,768,214</u>

In order to maintain key manufacturing technologies, reduce product costs and improve automation of the 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings</u> (Note 28)		
Working capital loans	\$ 2,998,002	\$ 3,535,954
Loans for export sales	940,000	715,000
Loans for purchasing raw material	<u>14,783</u>	<u>21,091</u>
	3,952,785	4,272,045
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,000,000</u>	<u>1,270,000</u>
	<u>\$ 4,952,785</u>	<u>\$ 5,542,045</u>
<u>Rate of interest per annum (%)</u>		
Working capital loans	0.23-3.80	0.25-3.13
Loans for export sales	0.61	0.51-1.58
Loans for purchasing raw material	1.56	1.56
Line of credit borrowings	0.71-0.80	0.77-0.88

Among the secured borrowings, the discounted notes receivable amounted to \$162,350 thousand for the year ended December 31, 2020 (refer to Note 9).

### b. Short-term bills payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Commercial paper	\$ 90,000	\$ 20,000
Less: Unamortized discount on bills payable	<u>(77)</u>	<u>(64)</u>
	<u>\$ 89,923</u>	<u>\$ 19,936</u>
Rate of interest per annum (%)	1.54	1.54



c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings</u> (Note 28)		
Secured loans	\$ 5,739,668	\$ 7,398,147
<u>Unsecured borrowings</u>		
Unsecured loans	<u>445,677</u>	<u>767,380</u>
	6,185,345	8,165,527
Less: Current portion	<u>(807,197)</u>	<u>(1,273,168)</u>
Long-term borrowings	<u>\$ 5,378,148</u>	<u>\$ 6,892,359</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.36-4.90	0.36-4.90
Unsecured loans	0.70-1.65	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 December 31, 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 a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

**17. OTHER PAYABLES**

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Payables for salaries and bonuses	\$ 1,061,177	\$ 677,401
Payables for compensation of employees	297,411	165,084
Payables for annual leave	178,245	143,572
Payables for remuneration of directors	149,069	77,193
Payables for purchases of building and equipment	40,264	257,356
Others	<u>456,560</u>	<u>302,783</u>
	<u>\$ 2,182,726</u>	<u>\$ 1,623,389</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

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

### b. Defined benefit plans

The defined benefit plans adopted by the Corporation and Matrix Precision of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and Matrix Precision contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy. Hiwin Italy also adopted the defined benefit plans in accordance with the local laws.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 437,041	\$ 453,499
Fair value of plan assets	<u>(206,990)</u>	<u>(158,928)</u>
Net defined benefit liabilities	<u>\$ 230,051</u>	<u>\$ 294,571</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	\$ 453,499	\$ (158,928)	\$ 294,571
Service cost			
Current service cost	11,812	-	11,812
Past service cost	(2,377)	425	(1,952)
Net interest expense (income)	<u>1,567</u>	<u>(570)</u>	<u>997</u>
Recognized in profit or loss	<u>11,002</u>	<u>(145)</u>	<u>10,857</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,446)	(2,446)
Actuarial loss - changes in demographic assumptions	1,376	-	1,376
Actuarial gain - changes in financial assumptions	(14,557)	-	(14,557)
Actuarial loss - experience adjustments	<u>10,478</u>	<u>-</u>	<u>10,478</u>
Recognized in other comprehensive income	<u>(2,703)</u>	<u>(2,446)</u>	<u>(5,149)</u>
Contributions from the employer	-	(65,783)	(65,783)
Benefits paid	(20,757)	20,757	-
Exchange differences on foreign plans	<u>(4,000)</u>	<u>(445)</u>	<u>(4,445)</u>
Balance at December 31, 2021	\$ 437,041	\$ (206,990)	\$ 230,051
Balance at January 1, 2020	\$ 400,604	\$ (124,251)	\$ 276,353
Service cost			
Current service cost	11,735	-	11,735
Past service cost	(49)	-	(49)
Net interest expense (income)	<u>2,957</u>	<u>(932)</u>	<u>2,025</u>
Recognized in profit or loss	<u>14,643</u>	<u>(932)</u>	<u>13,711</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,568)	(4,568)
Actuarial loss - changes in demographic assumptions	309	-	309
Actuarial loss - changes in financial assumptions	18,184	-	18,184
Actuarial loss - experience adjustments	<u>52,462</u>	<u>-</u>	<u>52,462</u>
Recognized in other comprehensive income	<u>70,955</u>	<u>(4,568)</u>	<u>66,387</u>
Contributions from the employer	-	(63,474)	(63,474)
Benefits paid	(34,126)	34,126	-
Exchange differences on foreign plans	<u>1,423</u>	<u>171</u>	<u>1,594</u>
Balance at December 31, 2020	\$ 453,499	\$ (158,928)	\$ 294,571

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

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

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

	<u>December 31</u>	
	2021	2020
Discount rates	0.70%、0.70%、0.98%	0.35%、0.35%、0.34%
Expected rates of salary increase	2.00%、3.00%	2.00%、3.00%
Turnover rate	0.68%、0.48%	0.90%、0.48%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	2021	2020
<u>The Corporation</u>		
Discount rate		
0.25% increase	\$ (9,043)	\$ (9,993)
0.25% decrease	\$ 9,377	\$ 10,377
Expected rate of salary increase/decrease		
0.25% increase	\$ 9,232	\$ 10,181
0.25% decrease	\$ (8,952)	\$ (9,858)
Turnover rate		
10% increase	\$ (164)	\$ (270)
10% decrease	\$ 164	\$ 271

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b><u>Matrix Precision</u></b>		
Discount rate		
0.25% increase	\$ (1,259)	\$ (1,316)
0.25% decrease	\$ 1,308	\$ 1,370
Expected rate of salary increase/decrease		
0.25% increase	\$ 1,275	\$ 1,330
0.25% decrease	\$ (1,235)	\$ (1,286)
Turnover rate		
10% increase	\$ (1)	\$ (4)
10% decrease	\$ 1	\$ 4

**Hiwin Italy**

Discount rate		
0.25% increase	\$ (40,087)	\$ (34,424)
0.25% decrease	\$ 41,707	\$ 35,826

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plan for the next year	\$ 19,025	\$ 17,840
Average duration of the defined benefit obligation	10 years	10 years
	10 years	11 years
	13 years	13 years

**19. EQUITY**

a. Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands)	340,792	330,866
Shares issued	\$ 3,407,923	\$ 3,308,663

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

	<u>December 31</u>	
	2021	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
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	-	84,098
Invalid employee shares	<u>7,450</u>	<u>7,450</u>
	<u>\$ 5,516,470</u>	<u>\$ 5,600,568</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 of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 20-c.

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

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

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
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 earnings for 2021 had been proposed by the Corporation's board of directors on February 25, 2022. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 318,548	
Cash dividends	1,533,565	\$ 4.5

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in their meeting to be held on June 27, 2022.

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 159,246	\$ 210,270
Interest on lease liabilities	<u>9,913</u>	<u>10,651</u>
	<u>\$ 169,159</u>	<u>\$ 220,921</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest	\$ 32,618	\$ 26,894
Capitalization rates (%)	0.99-4.90	1.08-4.90

b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits	\$ 4,477,129	\$ 2,444,745	\$ 6,921,874
Post-employment benefits			
Defined contribution plans	140,638	73,989	214,627
Defined benefit plans (Note 18)	4,465	6,392	10,857
Other employee benefits	159,625	70,063	229,688
Depreciation expenses	1,817,749	368,797	2,186,546
Amortization expenses	21,753	27,899	49,652
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits	3,309,979	2,111,330	5,421,309
Post-employment benefits			
Defined contribution plans	97,956	62,943	160,899
Defined benefit plans (Note 18)	5,915	7,796	13,711
Equity-settled share-based payments	38,303	26,893	65,196
Other employee benefits	137,780	65,079	202,859
Depreciation expenses	1,888,088	381,385	2,269,473
Amortization expenses	28,632	30,238	58,870

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Corporation's board of directors on February 25, 2022 and March 23, 2021, respectively, were as follows:

<b>Cash</b>	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Compensation of employees	6.0%	\$ 297,411	5.9%	\$ 154,385
Remuneration of directors	3.0%	148,706	2.9%	77,193

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

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

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



## 21. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 1,410,040	\$ 367,683
Income tax of unappropriated earnings	28,293	29,113
Land value increment tax	-	34,729
Adjustments for prior years	(5,042)	43,458
Deferred tax		
In respect of the current year	<u>(113,164)</u>	<u>129,709</u>
Income tax expense recognized in profit or loss	<u>\$ 1,320,127</u>	<u>\$ 604,692</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 1,193,809	\$ 593,364
Non-deductible expenses in determining taxable income	420	661
Tax-exempt income	(1,363)	(97,422)
Others	(10,990)	(13,966)
Income tax on unappropriated earnings	48,785	66,690
Investment tax credits used	(108,461)	(139,498)
Loss carryforwards used	<u>(7,447)</u>	<u>(8,932)</u>
Current tax	1,114,753	400,897
Land value increment tax	-	34,729
Unrecognized deductible temporary differences and loss carryforwards	210,416	125,608
Adjustments for prior years' tax	<u>(5,042)</u>	<u>43,458</u>
Income tax expense recognized in profit or loss	<u>\$ 1,320,127</u>	<u>\$ 604,692</u>

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

In accordance with Rule No. 10904550440 issued by the Ministry of Finance (MOF) of the ROC, the Group used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Group's unappropriated earnings for 2018 for filing the additional tax. For the 2020 consolidated financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual profit for 2020, and the current income tax payable is adjusted accordingly.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

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

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (65,558)	\$ 18,176
Remeasurement of defined benefit plans	<u>1,646</u>	<u>(14,874)</u>
	<u>\$ (63,912)</u>	<u>\$ 3,302</u>

c. Deferred tax assets and liabilities

	<u>For the Year Ended December 31, 2021</u>			
	<u>Opening</u>	<u>Recognized in</u>	<u>Recognized in</u>	<u>Closing</u>
	<u>Balance</u>	<u>Profit or Loss</u>	<u>Other</u>	<u>Balance</u>
			<u>Comprehensive</u>	
			<u>Income</u>	
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 97,960	\$ 191,743	\$ -	\$ 289,703
Allowance for impairment loss	6,893	(5,162)	-	1,731
Allowance for inventory devaluation	96,084	42,677	-	138,761
Payable for annual leave	22,791	2,677	-	25,468
Defined benefit obligation	26,573	(809)	(1,646)	24,118
Impairment loss on financial assets	4,071	-	-	4,071
Provisions	4,754	11,564	-	16,318
Financial liabilities at FVTPL	1,440	(1,440)	-	-
Exchange difference on foreign operations	84,280	-	65,558	149,838
Deferred expenses	2,933	(2,933)	-	-
Unrealized loss on foreign currency exchange	-	5,330	-	5,330
Others	<u>13,941</u>	<u>(5,817)</u>	<u>-</u>	<u>8,124</u>
	<u>\$ 361,720</u>	<u>\$ 237,830</u>	<u>\$ 63,912</u>	<u>\$ 663,462</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 491,005	\$ 144,148	\$ -	\$ 635,153
Unrealized gain on foreign currency exchange	21,411	(21,410)	-	1
Financial assets at FVTPL	-	63	-	63
Intangible assets	-	2,910	-	2,910
Others	<u>44,341</u>	<u>(1,045)</u>	<u>-</u>	<u>43,296</u>
	<u>\$ 556,757</u>	<u>\$ 124,666</u>	<u>\$ -</u>	<u>\$ 681,423</u>

**For the Year Ended December 31, 2020**

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 121,474	\$ (23,514)	\$ -	\$ 97,960
Allowance for impairment loss	8,540	(1,647)	-	6,893
Allowance for inventory devaluation	76,252	19,832	-	96,084
Payable for annual leave	17,919	4,872	-	22,791
Defined benefit obligation	20,146	(8,447)	14,874	26,573
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Provisions	4,844	(90)	-	4,754
Financial liabilities at FVTPL	-	1,440	-	1,440
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Deferred expenses	5,217	(2,284)	-	2,933
Unrealized loss on foreign currency exchange	14,737	(14,737)	-	-
Loss carryforwards	7,454	(7,454)	-	-
Others	<u>2,267</u>	<u>11,674</u>	<u>-</u>	<u>13,941</u>
	<u>\$ 388,328</u>	<u>\$ (23,306)</u>	<u>\$ (3,302)</u>	<u>\$ 361,720</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 399,207	\$ 91,798	\$ -	\$ 491,005
Unrealized gain on foreign currency exchange	-	21,411	-	21,411
Financial assets at FVTPL	511	(511)	-	-
Intangible assets	4,643	(4,643)	-	-
Others	<u>45,993</u>	<u>(1,652)</u>	<u>-</u>	<u>44,341</u>
	<u>\$ 450,354</u>	<u>\$ 106,403</u>	<u>\$ -</u>	<u>\$ 556,757</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards	\$ 7,271,541	\$ 6,587,087
Investment loss	3,090,137	2,306,601
Deductible temporary difference	<u>1,140,150</u>	<u>719,227</u>
	<u>\$ 11,501,828</u>	<u>\$ 9,612,915</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Investee	Unused Amount	Expiry Year
Eterbright	\$ 5,160,603	2022-2031
Matrix Precision	1,086,124	2023-2031
Hiwin Japan	586,937	2023-2031
Hiwin Korea	199,394	2023-2030
Matrix	<u>238,483</u>	no limit
	<u>\$ 7,271,541</u>	

f. 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\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,532,230	340,792	<u>\$ 10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,053</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$ 10.33</u>
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,929,730	328,770	<u>\$ 5.87</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>580</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,929,730</u>	<u>329,350</u>	<u>\$ 5.86</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 September 23, 2021. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2020 were as follows:

	<b>Unit: NT\$ Per Share</b>	
	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 6.05</u>	<u>\$ 5.87</u>
Diluted earnings per share	<u>\$ 6.03</u>	<u>\$ 5.86</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.

### 23. BUSINESS COMBINATIONS

#### a. Subsidiaries acquired

<b>Name of Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred (Cash)</b>
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 by the Group in order to expand the development in the field of drive control, enhance its competitive advantage and increase 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		7,067
Right-of-use assets		32,540
Other non-current assets		157
		(Continued)

Current liabilities	
Trade and other payables	\$ (60,879)
Lease liabilities - current	(6,191)
Other current liabilities	(6,795)
Non-current liabilities	
Lease liabilities - non-current	<u>(26,349)</u>
	<u>\$ 225,142</u>
	(Concluded)
c. Gain from bargain purchase on acquisition	
Consideration transferred	\$ 66,300
Less: Fair value of identifiable net assets acquired	<u>(112,571)</u>
Gain from bargain purchase on acquisition	<u>\$ (46,271)</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 and December 30, 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 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

On January 8, 2021 and May 10, 2021, the 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 these subsidiaries.

## 25. 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.

## 26. 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,895	\$ 128
Financial assets at amortized cost (1)	9,807,785	9,012,385
Financial assets at FVTOCI		
Equity instruments	1,466,280	944,234
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	2,580	7,327
Financial liabilities at amortized cost (2)	17,546,732	18,653,149

- 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 and long-term borrowings (including those due within one year).
- c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities, 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 are held for strategic purposes, they are not hedged.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

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 years ended December 31, 2021 and 2020 would have decreased by \$52,785 thousand and \$51,989 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Deposits in bank	\$ 408,908	\$ 240,872
Lease liabilities	526,408	579,112
Short-term bills payable	89,923	19,936
Short-term borrowings	851,782	162,350
Long-term borrowings	341,114	269,723
Cash flow interest rate risk		
Deposits in bank	4,800,654	2,270,615
Short-term borrowings	4,101,003	5,379,695
Long-term borrowings	5,844,231	7,895,804

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$41,157 thousand and \$88,039 thousand, respectively.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 75% and 71% of the total trade receivables as of December 31, 2021 and 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 December 31, 2021 and 2020, the Group had available unutilized bank loan facilities of \$12,566,013 thousand and \$10,999,568 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.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 6,318,679	\$ -	\$ -
Lease liabilities	144,586	284,977	124,811
Fixed interest rate liabilities	1,013,707	257,962	11,150
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>2,607,042</u>
	<u>\$ 12,313,170</u>	<u>\$ 3,044,933</u>	<u>\$ 2,743,003</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</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>

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
<u>December 31, 2021</u>					
Lease liabilities	\$ 144,586	\$ 284,977	\$ 75,001	\$ 49,810	\$ -
Fixed interest rate liabilities	1,013,707	257,962	11,150	-	-
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>1,551,331</u>	<u>405,711</u>	<u>650,000</u>
	<u>\$ 5,994,491</u>	<u>\$ 3,044,933</u>	<u>\$ 1,637,482</u>	<u>\$ 455,521</u>	<u>\$ 650,000</u>
<u>December 31, 2020</u>					
Lease liabilities	\$ 156,924	\$ 323,503	\$ 89,261	\$ 51,595	\$ 9,074
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>2,019,093</u>	<u>704,559</u>	<u>681,782</u>
	<u>\$ 6,992,073</u>	<u>\$ 3,788,425</u>	<u>\$ 2,130,357</u>	<u>\$ 756,154</u>	<u>\$ 690,856</u>

## 27. 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 ( became non-related party starting from July 27, 2021 )
Eric Y. T. Chuo	Key management personnel

### b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Sales of goods		
Associates	\$ 199,993	\$ 163,387
Other related parties	<u>125,727</u>	<u>110,489</u>
	<u>\$ 325,720</u>	<u>\$ 273,876</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
2) Purchases of goods		
Other related parties	\$ 861,645	\$ 510,697
Associates	<u>105</u>	<u>28</u>
	<u>\$ 861,750</u>	<u>\$ 510,725</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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 2,829</u>	<u>\$ 375</u>
Non-operating income - other income		
Other related parties	<u>\$ 1,943</u>	<u>\$ 274</u>
Manufacturing and operating expenses		
Other related parties	<u>\$ 9,660</u>	<u>\$ 3,950</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 13,000</u>	<u>\$ 8,400</u>
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
4) Notes receivable		
Other related parties	<u>\$ 1,263</u>	<u>\$ 693</u>
5) Trade receivables		
Associates	\$ 17,532	\$ 8,854
Other related parties	<u>1,292</u>	<u>7,357</u>
	<u>\$ 18,824</u>	<u>\$ 16,211</u>
6) Other receivables (classified as other current assets)		
Other related parties	<u>\$ 286</u>	<u>\$ 231</u>
7) Trade payables		
Other related parties	\$ 231,216	\$ 111,356
Associates	<u>29</u>	<u>-</u>
	<u>\$ 231,245</u>	<u>\$ 111,356</u>
8) Other payables		
Other related parties	\$ 659	\$ 1,165
Key management personnel	<u>159</u>	<u>-</u>
	<u>\$ 818</u>	<u>\$ 1,165</u>

c. Acquisition of property, plant and equipment

<b>Purchase Price</b>	
<b>For the Year Ended December 31</b>	
<b>2021</b>	<b>2020</b>

Other related parties	<u>\$ 2,100</u>	<u>\$ 8,749</u>
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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.

<b>For the Year Ended December 31</b>	
<b>2021</b>	<b>2020</b>

Acquisition of right-of-use assets

Other related parties	<u>\$ 18,533</u>	<u>\$ -</u>
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<b>December 31</b>	
<b>2021</b>	<b>2020</b>

Lease liabilities

Other related parties	<u>\$ 12,942</u>	<u>\$ 2,051</u>
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<b>For the Year Ended December 31</b>	
<b>2021</b>	<b>2020</b>

Finance costs

Other related parties	<u>\$ 209</u>	<u>\$ 58</u>
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e. Acquisition of financial assets

**For the Year Ended December 31, 2020**

<b>Related Party Category</b>	<b>Line Item</b>	<b>Number of Shares (%)</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Hiwin Investment Corporation	Investment accounted for using the equity method	31	Hiwin Schweiz	<u>\$ 200,000</u>

f. Endorsements and guarantees

Endorsements and guarantees given by related parties

<b>Related Party Category</b>	<b>December 31, 2021</b>
Key management personnel	
Amount endorsed	<u>\$ 201,250</u>
Amount utilized (classified as short-term borrowings)	<u>\$ 14,783</u>

g. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 312,118	\$ 217,291
Post-employment benefits	949	1,269
Share-based payments	-	1,087
Termination benefits	<u>-</u>	<u>1,060</u>
	<u>\$ 313,067</u>	<u>\$ 220,707</u>

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

**28. 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 17,776,728	\$ 16,297,167
Notes receivable	-	162,350
Right-of-use assets	230,537	75,682
Pledged deposits (classified as other current assets)	<u>2,000</u>	<u>2,000</u>
	<u>\$ 18,009,265</u>	<u>\$ 16,537,199</u>

**29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$228,832 thousand and \$186,454 thousand, respectively.
- b. As of December 31, 2021 and 2020, commitment for acquisition of property, plant and equipment amounted to \$1,745,934 thousand and \$722,762 thousand, respectively.

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 36,004	27.680	\$ 996,579	\$ 26,341	28.480	\$ 750,200
EUR	64,881	31.32	2,032,081	25,457	35.02	891,513
JPY	2,918,766	0.2405	701,963	2,081,325	0.2763	575,070
RMB	816,818	4.344	3,548,260	1,102,378	4.377	4,825,108
Non-monetary items						
USD	-	-	-	804	28.480	22,910
ILS	16,961	8.955	151,888	13,639	8.740	119,202
<u>Financial liabilities</u>						
Monetary items						
USD	13,894	27.680	384,592	11,761	28.480	334,949
EUR	4,643	31.32	145,434	1,563	35.02	54,743
JPY	562,043	0.2405	135,171	497,249	0.2763	137,390
RMB	3,575	4.344	15,530	3,688	4.377	16,140

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

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	\$ (157,143)	1 (NTD:NTD)	\$ 169,705

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)

- 6) 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 26)
  - 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 year and the purposes. (None)
    - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)



### 33. SEGMENT INFORMATION

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

#### a. Segment revenue and results

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

	<b>For the Year Ended December 31</b>			
	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Linear guideways	\$ 17,445,124	\$ 13,959,404	\$ 4,440,815	\$ 1,829,781
Ballscrews	5,739,935	3,942,252	1,054,590	211,865
Others	<u>4,080,103</u>	<u>3,365,003</u>	<u>(380,812)</u>	<u>(309,172)</u>
Total from continuing operations	<u>\$ 27,265,162</u>	<u>\$ 21,266,659</u>	5,114,593	1,732,474
Subsidy revenue			103,224	123,581
Finance costs			(169,159)	(220,921)
Share of profit of associates accounted for using the equity method			41,618	33,700
Interest income			13,406	13,082
Gain from bargain purchase			-	46,271
Other income			104,721	126,497
Other expenses			(4,101)	(31,043)
Gain (loss) on disposal of property, plant and equipment			(44,474)	340,046
Net foreign exchange gain (loss)			(180,516)	186,774
Valuation loss on financial assets (liabilities) at FVTPL			(4,492)	(46,990)
Impairment loss			<u>(500,000)</u>	<u>-</u>
Profit before income tax			<u>\$ 4,474,820</u>	<u>\$ 2,303,471</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the years ended December 31, 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, other expenses, gain (loss) on disposal of property, plant and equipment, net foreign exchange gain (loss), valuation loss on financial assets (liabilities) at FVTPL, impairment 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.

#### b. Segment total assets and liabilities

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

c. Geographical information

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

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

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 13,696,690	\$ 11,875,478	\$ 24,603,213	\$ 25,946,455
China	4,867,335	3,099,527	2,001,047	1,847,400
Germany	3,807,965	2,739,620	1,143,878	1,200,595
USA	1,185,939	1,020,183	435,405	439,601
Japan	1,205,334	783,389	1,304,194	821,610
Others	<u>2,501,899</u>	<u>1,748,462</u>	<u>349,169</u>	<u>388,083</u>
	<u>\$ 27,265,162</u>	<u>\$ 21,266,659</u>	<u>\$ 29,836,906</u>	<u>\$ 30,643,744</u>

d. Information about major customers

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 3,571,837	13	\$ 2,568,011	12
Customer B	3,279,988	12	3,965,792	19

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 32,187	\$ 32,187	1.165%	1	Sales \$765,313	-	\$ -	-	\$ -	\$ 4,542,043	\$ 9,084,086
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	52,902	-	-	1.49%	1	Sales 1,057,657	-	-	-	-	4,542,043	9,084,086

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

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

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

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

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

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

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 3,028,029	\$ 78,700 (GBP 2,000)	\$ 74,600 (GBP 2,000)	\$ 18,650 (GBP 500)	\$ -	0.2%	\$ 10,598,100	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	3,028,029	507,600 (EUR 15,000)	469,800 (EUR 15,000)	257,674 (EUR 8,227)	-	1.6%	10,598,100	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	3,028,029	2,250,000	2,175,000	639,000	-	7.2%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	3,028,029	334,320 (USD 12,000)	166,080 (USD 6,000)	8,304 (USD 300)	-	0.5%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	3,028,029	342,420 (USD 12,000)	332,160 (USD 12,000)	120,408 (USD 4,350)	-	1.1%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	3,028,029	1,724,250 (JPY 6,690,920)	1,607,398 (JPY 6,683,568)	1,487,148 (JPY 6,183,568)	-	5.3%	10,598,100	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	3,028,029	1,100,000	1,100,000	350,000	-	3.6%	10,598,100	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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 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	-	\$ 2,890	-	\$ 2,890	
	<u>Shares</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,525,676	1,076,401	8	1,076,401	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	386,799	3	386,799	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,080	-	3,080	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

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

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 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 3)
The Corporation	Share capital	Investments accounted for using the equity method	Matrix Precision	Subsidiary	2,171,075	\$ 95,313	32,123,000	\$ 419,420	-	\$ -	\$ -	\$ -	\$ (130,453) (Note 1)	34,294,075	\$ 384,280
The Corporation	Share capital	Investments accounted for using the equity method	Eterbright	Subsidiary	171,449,427	(643,793)	174,011,165	1,740,112	-	-	-	-	(1,219,358) (Note 2)	345,460,592	(123,039)

Note 1: Including investment loss and other comprehensive loss accounted for using the equity method of \$(132,654) thousand, realized gross profit of \$242 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: Including investment loss accounted for using the equity method of \$(783,536) thousand, realized gross profit of \$1,193 thousand and an decrease in net assets of \$(437,015) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

Note 3: 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 YEAR ENDED DECEMBER 31, 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	\$ 109,920	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
Hiwin Japan	Kobe Technology Factory	2021.3.23	1,075,850 (JPY 4,033,920 )	655,467 (JPY 2,566,432 )	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 YEAR ENDED DECEMBER 31, 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	\$ (4,323,908)	(19%)	O/A 120 days	\$ -	-	\$ 1,686,443	26%	
	Hiwin Germany	Subsidiary	Sale	(2,123,776)	(9%)	O/A 90 days	-	-	976,788	15%	
	Hiwin Italy	Subsidiary	Sale	(1,057,657)	(5%)	O/A 180 days	-	-	713,740	11%	
	Hiwin Japan	Subsidiary	Sale	(765,313)	(3%)	O/A 150 days	-	-	568,908	9%	
	Hiwin USA	Subsidiary	Sale	(501,394)	(2%)	O/A 120 days	-	-	190,503	3%	
	Hiwin Korea	Subsidiary	Sale	(341,983)	(1%)	O/A 180 days	-	-	167,078	3%	
	Hiwin Schweiz	Subsidiary	Sale	(235,208)	(1%)	O/A 60 days	-	-	36,483	1%	
	Hiwin Singapore	Subsidiary	Sale	(150,285)	(1%)	O/A 120 days	-	-	53,803	1%	
	Hiwin Mikrosystem	Other related party	Purchase	172,926	2%	O/A 90 days	-	-	(28,256)	-	
	Hiwin Mikrosystem	Other related party	Sale	(103,109)	-	O/A 90 days	-	-	-	-	
Hiwin China	The Corporation	Parent company	Purchase	4,323,908	97%	O/A 120 days	-	-	(1,686,443)	(97%)	
Hiwin Germany	The Corporation	Parent company	Purchase	2,123,776	71%	O/A 90 days	-	-	(976,788)	(83%)	
	Hiwin Mikrosystem	Other related party	Purchase	341,860	11%	O/A 90 days	-	-	(108,618)	(9%)	
	Hiwin S.R.O	Other related party	Sale	(195,280)	(5%)	O/A 45 days	-	-	17,532	10%	
Hiwin Italy	The Corporation	Parent company	Purchase	1,057,657	94%	O/A 180 days	-	-	(713,740)	(95%)	
Hiwin Japan	The Corporation	Parent company	Purchase	765,313	89%	O/A 150 days	-	-	(568,908)	(93%)	
Hiwin USA	The Corporation	Parent company	Purchase	501,394	75%	O/A 120 days	-	-	(190,503)	(84%)	
	Hiwin Mikrosystem	Other related party	Purchase	143,629	22%	O/A 90 days	-	-	(21,935)	(10%)	
Hiwin Korea	The Corporation	Parent company	Purchase	341,983	92%	O/A 180 days	-	-	(167,078)	(98%)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	235,208	82%	O/A 60 days	-	-	(36,483)	(71%)	
Hiwin Singapore	The Corporation	Parent company	Purchase	150,285	75%	O/A 120 days	-	-	(53,803)	(75%)	

Note: Except for Hiwin Mikrosystem and Hiwin S.R.O, 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

DECEMBER 31, 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	\$ 568,908	1.94	\$ -	-	\$ 29,250	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	34,184	-	-	-	34,184	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	976,788	3.42	-	-	275,879	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	713,740	2.06	-	-	101,600	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	406	-	-	-	406	-
	Hiwin China	Subsidiary	Trade receivables from related parties	1,686,443	3.24	-	-	790,053	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	190,503	3.50	-	-	63,368	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	167,078	2.84	-	-	62,501	-

Note : Significant intercompany accounts and transactions have been eliminated.

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 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	\$ 2,123,776	O/A 90 days	8
			1	Trade receivables	976,788	O/A 90 days	2
		Hiwin Japan	1	Sales	765,313	O/A 150 days	3
			1	Trade receivables	568,908	O/A 150 days	1
		Hiwin China	1	Other receivables	34,184	-	-
			1	Sales	4,323,908	O/A 120 days	16
		Hiwin Italy	1	Trade receivables	1,686,443	O/A 120 days	3
			1	Sales	1,057,657	O/A 180 days	4
		Hiwin USA	1	Trade receivables	713,740	O/A 180 days	1
			1	Sales	501,394	O/A 120 days	2
		Hiwin Korea	1	Trade receivables	190,503	O/A 120 days	-
			1	Sales	341,983	O/A 180 days	1
		Hiwin Schweiz	1	Trade receivables	167,078	O/A 180 days	-
			1	Sales	235,208	O/A 60 days	1
		Hiwin Singapore	1	Trade receivables	36,483	O/A 60 days	-
			1	Sales	150,285	O/A 120 days	1
			1	Trade receivables	53,803	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 \$353,928 thousand.

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 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	\$ 1,683,515	\$ 326,315	\$ 326,315	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	715,336	145,238	145,238	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	817,642	62,200	100	44,350	(59,220)	(59,220)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	184,717	74,362	29,745	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	4,723,668	2,983,556	345,460,592	85	(123,039)	(1,030,113)	(783,536)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	19,104	32,041	32,041	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	202,945	1,760,000	100	(66,630)	(1,806)	(1,806)	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	384,280	(262,398)	(131,375)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,585	(45)	(45)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	(49,816)	51,447	51,447	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	535,904	461,344	5,449,500	100	273,715	(61,282)	(55,219)	Subsidiary
Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	179,530	59,768	59,768	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	68,030 (EUR 2,172)	(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	40,304	59,768	-	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 YEAR ENDED DECEMBER 31, 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 December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 232,872 (USD 8,413)	(Note 1)	\$ 19,256 (USD 804)	\$ -	\$ 19,256 (USD 804)	\$ -	\$ 68,926	-	(Note 3)	\$ - (Note 7)	\$ 139,396 (USD 4,640)
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)	312,569	100	\$ 312,569 (Notes 4 and 6)	1,826,457 (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)	(4,253)	-	(2,132) (Notes 4 and 6)	- (Note 8)	-
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)	873	50	438 (Notes 4 and 6)	3,162 (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 5)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 252,565 (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: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

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.

Note 7: YIFU Finance and Kaland have been liquidated in February 2021 and August 2021, respectively.

Note 8: Luren Shanghai has been liquidated in June 2021.

**TABLE 11****HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,770,299	6.68%

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.