

**Hiwin Technologies Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Hiwin Technologies Corporation and its subsidiaries (the "Group") as of March 31, 2020 and 2019 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements and the notes of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$8,159,048 thousand and NT\$8,033,447 thousand, respectively, representing 17% and 16%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$4,313,460 thousand and NT\$3,390,946 thousand, respectively, representing 18% and 14%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2020 and 2019, the amount of combined comprehensive income (loss) of these subsidiaries were NT\$(102,971) thousand and NT\$132,689 thousand, respectively, representing 20% and 14%, respectively, of the consolidated total comprehensive income (loss).

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 5, 2020

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,947,553	4	\$ 2,008,745	4	\$ 2,556,654	5
Financial assets at fair value through profit or loss - current (Note 7)	3,890	-	2,584	-	1,541	-
Notes receivable from unrelated parties, net (Note 9)	430,483	1	404,636	1	772,648	2
Notes receivable from related parties, net (Note 26)	402	-	878	-	2,369	-
Trade receivables from unrelated parties, net (Note 9)	4,049,319	9	4,404,813	9	4,416,982	9
Trade receivables from related parties, net (Note 26)	58,248	-	17,352	-	25,602	-
Inventories (Note 10)	7,519,598	16	7,552,944	16	8,958,737	18
Other current assets (Notes 6, 26 and 27)	490,925	1	455,503	1	651,099	1
Total current assets	<u>14,500,418</u>	<u>31</u>	<u>14,847,455</u>	<u>31</u>	<u>17,385,632</u>	<u>35</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	736,349	2	1,026,394	2	1,317,581	3
Financial assets at amortized cost - non-current	2,906	-	2,922	-	5,622	-
Investments accounted for using the equity method (Note 12)	196,587	-	192,144	-	184,326	-
Property, plant and equipment (Notes 13, 26 and 27)	28,252,466	60	28,279,428	58	25,848,038	52
Right-of-use assets (Notes 14, 26 and 27)	790,462	2	792,490	2	881,904	2
Goodwill	256,163	-	256,163	1	256,163	1
Deferred tax assets (Note 4)	382,031	1	388,328	1	436,282	1
Prepayments for machinery and equipment (Note 15)	2,077,454	4	2,293,112	5	3,061,233	6
Refundable deposits	71,258	-	80,711	-	79,057	-
Other non-current assets (Note 9)	178,404	-	172,709	-	164,378	-
Total non-current assets	<u>32,944,080</u>	<u>69</u>	<u>33,484,401</u>	<u>69</u>	<u>32,234,584</u>	<u>65</u>
TOTAL	<u>\$ 47,444,498</u>	<u>100</u>	<u>\$ 48,331,856</u>	<u>100</u>	<u>\$ 49,620,216</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 27)	\$ 10,267,176	22	\$ 9,762,417	20	\$ 7,787,533	16
Financial liabilities at fair value through profit or loss - current (Note 7)	751	-	29	-	1,939	-
Contract liabilities - current	166,020	-	120,069	-	215,309	-
Notes payable	1,859	-	8,581	-	14,783	-
Trade payables to unrelated parties	1,937,900	4	2,141,878	5	3,213,331	7
Trade payables to related parties (Note 26)	126,636	-	131,925	-	149,117	-
Other payables (Notes 17 and 26)	1,174,955	3	1,541,424	3	2,135,615	4
Current tax liabilities (Note 4)	86,494	-	145,818	-	921,359	2
Lease liabilities - current (Notes 14 and 26)	166,592	-	157,851	1	153,241	-
Current portion of long-term borrowings (Notes 16 and 27)	1,281,616	3	1,519,285	3	1,830,611	4
Other current liabilities	80,654	-	93,593	-	134,100	-
Total current liabilities	<u>15,290,653</u>	<u>32</u>	<u>15,622,870</u>	<u>32</u>	<u>16,556,938</u>	<u>33</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 27)	7,740,522	16	7,833,258	16	6,305,872	13
Deferred tax liabilities (Note 4)	444,393	1	450,354	1	490,762	1
Lease liabilities - non-current (Notes 14 and 26)	472,425	1	482,527	1	556,448	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	232,458	1	276,353	1	307,148	1
Other non-current liabilities (Note 26)	22,089	-	12,017	-	37,550	-
Total non-current liabilities	<u>8,911,887</u>	<u>19</u>	<u>9,054,509</u>	<u>19</u>	<u>7,697,780</u>	<u>16</u>
Total liabilities	<u>24,202,540</u>	<u>51</u>	<u>24,677,379</u>	<u>51</u>	<u>24,254,718</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION						
Ordinary Shares	3,095,789	6	3,095,789	6	3,005,620	6
Capital surplus	3,320,372	7	3,236,274	7	3,236,274	6
Retained earnings						
Legal reserve	2,706,052	6	2,706,052	5	2,166,826	4
Special reserve	-	-	-	-	250,940	1
Unappropriated earnings	14,279,054	30	14,410,303	30	15,732,489	32
Other equity	(31,206)	-	294,835	1	777,511	2
Total equity attributable to owners of the Corporation	<u>23,370,061</u>	<u>49</u>	<u>23,743,253</u>	<u>49</u>	<u>25,169,660</u>	<u>51</u>
NON-CONTROLLING INTERESTS	<u>(128,103)</u>	<u>-</u>	<u>(88,776)</u>	<u>-</u>	<u>195,838</u>	<u>-</u>
Total equity	<u>23,241,958</u>	<u>49</u>	<u>23,654,477</u>	<u>49</u>	<u>25,365,498</u>	<u>51</u>
TOTAL	<u>\$ 47,444,498</u>	<u>100</u>	<u>\$ 48,331,856</u>	<u>100</u>	<u>\$ 49,620,216</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 5, 2020)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Note 26)	\$ 3,614,067	100	\$ 5,047,996	100
COST OF GOODS SOLD (Notes 10, 20 and 26)	<u>2,722,767</u>	<u>76</u>	<u>3,190,428</u>	<u>63</u>
GROSS PROFIT	<u>891,300</u>	<u>24</u>	<u>1,857,568</u>	<u>37</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	356,834	10	409,992	8
General and administrative expenses	389,206	11	402,616	8
Research and development expenses	<u>230,712</u>	<u>6</u>	<u>285,314</u>	<u>6</u>
Total operating expenses	<u>976,752</u>	<u>27</u>	<u>1,097,922</u>	<u>22</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(85,452)</u>	<u>(3)</u>	<u>759,646</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 20 and 26)	(60,888)	(2)	(38,434)	(1)
Share of profit of associates accounted for using the equity method (Note 12)	6,868	-	2,047	-
Interest income	3,576	-	3,253	-
Other income (Note 26)	16,853	1	25,439	1
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	918	-	(18,587)	-
Other expenses	(2,379)	-	(219)	-
Net foreign exchange gain (loss) (Note 29)	<u>(47,301)</u>	<u>(1)</u>	<u>66,819</u>	<u>1</u>
Total non-operating income and expenses	<u>(82,353)</u>	<u>(2)</u>	<u>40,318</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	(167,805)	(5)	799,964	16
INCOME TAX EXPENSE (Notes 4 and 21)	<u>23,111</u>	<u>-</u>	<u>236,234</u>	<u>5</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>(190,916)</u>	<u>(5)</u>	<u>563,730</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	<u>(290,045)</u>	<u>(8)</u>	<u>383,421</u>	<u>8</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (45,054)	(1)	\$ 28,670	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>8,980</u>	<u>-</u>	<u>(4,786)</u>	<u>-</u>
	<u>(36,074)</u>	<u>(1)</u>	<u>23,884</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(326,119)</u>	<u>(9)</u>	<u>407,305</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (517,035)</u>	<u>(14)</u>	<u>\$ 971,035</u>	<u>19</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (131,249)	(3)	\$ 619,640	12
Non-controlling interests	<u>(59,667)</u>	<u>(2)</u>	<u>(55,910)</u>	<u>(1)</u>
	<u>\$ (190,916)</u>	<u>(5)</u>	<u>\$ 563,730</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (457,290)	(12)	\$ 1,022,011	20
Non-controlling interests	<u>(59,745)</u>	<u>(2)</u>	<u>(50,976)</u>	<u>(1)</u>
	<u>\$ (517,035)</u>	<u>(14)</u>	<u>\$ 971,035</u>	<u>19</u>
EARNINGS (LOSS) PER SHARE (Note 22)				
Basic	<u>\$ (0.42)</u>		<u>\$ 2.00</u>	
Diluted	<u>\$ (0.42)</u>		<u>\$ 1.99</u>	

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

(With Deloitte & Touche review report dated May 5, 2020)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Note 19)									
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain Financial Assets at Fair Value Through Other Comprehensive	Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	\$ 3,005,620	\$ 3,236,274	\$ 2,166,826	\$ 250,940	\$ 15,145,659	\$ (275,194)	\$ 650,334	\$ 24,180,459	\$ 257,941	\$ 24,438,400
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(32,810)	-	-	(32,810)	32,810	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(43,937)	(43,937)
Net profit for the three months ended March 31, 2019	-	-	-	-	619,640	-	-	619,640	(55,910)	563,730
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	18,950	383,421	402,371	4,934	407,305
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	619,640	18,950	383,421	1,022,011	(50,976)	971,035
BALANCE AT MARCH 31, 2019	\$ 3,005,620	\$ 3,236,274	\$ 2,166,826	\$ 250,940	\$ 15,732,489	\$ (256,244)	\$ 1,033,755	\$ 25,169,660	\$ 195,838	\$ 25,365,498
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
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	-	84,098	20,418	104,516
Net loss for the three months ended March 31, 2020	-	-	-	-	(131,249)	-	-	(131,249)	(59,667)	(190,916)
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	(35,996)	(290,045)	(326,041)	(78)	(326,119)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	(131,249)	(35,996)	(290,045)	(457,290)	(59,745)	(517,035)
BALANCE AT MARCH 31, 2020	\$ 3,095,789	\$ 3,320,372	\$ 2,706,052	\$ -	\$ 14,279,054	\$ (445,630)	\$ 414,424	\$ 23,370,061	\$ (128,103)	\$ 23,241,958

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

(With Deloitte & Touche review report dated May 5, 2020)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (167,805)	\$ 799,964
Adjustments for :		
Depreciation expenses	573,552	524,684
Amortization expenses	15,885	14,071
Expected credit loss recognized on trade receivables	3,166	12,881
Net (profit) loss on fair value changes of financial assets and liabilities at fair value through profit or loss	(3,139)	398
Finance costs	60,888	38,434
Interest income	(3,576)	(3,253)
Share of profit of associates accounted for using equity method	(6,868)	(2,047)
Loss (gain) on disposal of property, plant and equipment	(5,053)	2,416
Recognized (reversal) of inventory write-downs	86,888	(47,106)
Unrealized foreign currency exchange loss (gain), net	51,118	(49,385)
Other	(3,804)	103
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	2,555	(5,493)
Notes receivable	(29,140)	273,164
Trade receivables	249,126	633,777
Inventories	(21,118)	53,330
Other current assets	(37,752)	(4,365)
Contract liabilities	45,501	29,910
Notes payable	(6,722)	2,352
Trade payables	(188,827)	(2,221,713)
Other payables	(235,036)	(799,648)
Other current liabilities	(11,455)	19,670
Net defined benefit liabilities	(43,610)	(3,715)
Cash generated from (used in) operations	324,774	(731,571)
Interest received	1,017	5,181
Interest paid	(63,801)	(38,902)
Income tax paid	(72,506)	(100,869)
Net cash generated from (used in) operating activities	<u>189,484</u>	<u>(866,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(2,922)
Payments for property, plant and equipment	(328,349)	(712,334)
Proceeds from disposal of property, plant and equipment	5,838	1,905
Decrease in refundable deposits	9,293	716
Decrease (increase) in other financial assets	3,300	(1,330)

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
Increase in other non-current assets	\$ (22,842)	\$ (10,980)
Increase in prepayments for machinery and equipment	<u>(173,708)</u>	<u>(472,480)</u>
Net cash used in investing activities	<u>(506,468)</u>	<u>(1,197,425)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	508,454	1,593,975
Proceeds from long-term borrowings	150,819	826,460
Repayments of long-term borrowings	(467,770)	(513,440)
Repayment of the principal portion of lease liabilities	(44,006)	(45,172)
Increase in other non-current liabilities	10,339	617
Acquisition additional shares of subsidiary	-	(43,937)
Changes in non-controlling interests	<u>104,516</u>	<u>-</u>
Net cash generated from financing activities	<u>262,352</u>	<u>1,818,503</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(6,560)</u>	<u>14,505</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,192)	(230,578)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>2,008,745</u>	<u>2,787,232</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,947,553</u>	<u>\$ 2,556,654</u>

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

(With Deloitte & Touche review report dated May 5, 2020)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

The Corporation was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public corporation 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 dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on May 5, 2020.

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 material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”).

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 3,136	\$ 2,262	\$ 2,256
Checking accounts and demand deposits	1,737,184	1,654,407	2,067,552
Pledged time deposits	2,000	5,300	3,330
Cash equivalents			
Time deposits (investments with original maturities of less than 3 months)	<u>207,233</u>	<u>352,076</u>	<u>486,846</u>
	1,949,553	2,014,045	2,559,984
Less: Pledged time deposits (classified as other current assets)	<u>(2,000)</u>	<u>(5,300)</u>	<u>(3,330)</u>
	<u>\$ 1,947,553</u>	<u>\$ 2,008,745</u>	<u>\$ 2,556,654</u>
 <u>Rate of interest rate per annum (%)</u>			
Cash in bank	0.00-0.40	0.00-0.40	0.00-0.50
Time deposits (investments with original maturities of less than 3 months)	0.05-1.95	0.05-2.60	1.76-2.71
Pledged time deposits	0.82	0.81-1.07	1.07

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2020</u>			
Sell	EUR/NTD	2020.5.7-2020.7.27	EUR3,300/NTD109,893
Sell	CNY/NTD	2020.5.6-2020.7.9	CNY70,000/NTD299,067
Sell	USD/NTD	2020.4.27-2020.7.13	USD2,000/NTD60,438
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.1.30-2020.3.16	EUR2,700/NTD91,280
Sell	CNY/NTD	2020.1.13-2020.3.17	CNY114,000/NTD490,284
<u>March 31, 2019</u>			
Sell	EUR/NTD	2019.4.30-2019.6.10	EUR1,800/NTD63,134
Sell	CNY/NTD	2019.4.30-2019.7.15	CNY128,100/NTD582,786
Sell	USD/NTD	2019.4.15	USD300/NTD9,246

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in equity instruments at FVTOCI			
<u>Domestic listed ordinary shares</u>			
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 498,756	\$ 787,509	\$ 1,097,208
<u>Domestic unlisted ordinary shares</u>			
Ever Fortune. AI Co., Ltd. (Ever Fortune.)	27,405	28,010	-
Taichung International Country Club	2,500	2,500	2,550
Sunengine Corporation Ltd. (Sunengine)	-	-	-
King Kong Iron Work Ltd.	-	-	-
<u>Overseas unlisted ordinary shares</u>			
Kaland Holdings Corp. (Kaland)	204,368	205,055	214,503
Hiwin (Schweiz) GmbH	3,320	3,320	3,320
	<u>\$ 736,349</u>	<u>\$ 1,026,394</u>	<u>\$ 1,317,581</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 USD8,168 thousand was made through investments in Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

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

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

In September 2019, the Group sold its shares in Hiwin Mikrosystem with a fair value of \$7,896 thousand and the Group transferred the unrealized gain of \$9,995 thousand from other equity to retained earnings.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 430,955	\$ 405,233	\$ 774,222
Less: Allowance for impairment loss	<u>(472)</u>	<u>(597)</u>	<u>(1,574)</u>
	<u>\$ 430,483</u>	<u>\$ 404,636</u>	<u>\$ 772,648</u>
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 4,079,844	\$ 4,432,320	\$ 4,446,556
Less: Allowance for impairment loss	<u>(30,525)</u>	<u>(27,507)</u>	<u>(29,574)</u>
	<u>\$ 4,049,319</u>	<u>\$ 4,404,813</u>	<u>\$ 4,416,982</u>

a. Notes receivable

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

	March 31, 2020	December 31, 2019	March 31, 2019
Not past due	\$ 430,955	\$ 405,233	\$ 774,222
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 430,955</u>	<u>\$ 405,233</u>	<u>\$ 774,222</u>

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

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 applies the approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the 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>March 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 2,745,252	\$ 956,152	\$ 365,482	\$ 12,958	\$ 4,079,844
Loss allowance (Lifetime ECLs)	<u>(6,358)</u>	<u>(4,593)</u>	<u>(8,999)</u>	<u>(10,575)</u>	<u>(30,525)</u>
Amortized cost	<u>\$ 2,738,894</u>	<u>\$ 951,559</u>	<u>\$ 356,483</u>	<u>\$ 2,383</u>	<u>\$ 4,049,319</u>
<u>December 31, 2019</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 2,769,020	\$ 1,537,171	\$ 118,296	\$ 7,833	\$ 4,432,320
Loss allowance (Lifetime ECL)	<u>(9,687)</u>	<u>(8,906)</u>	<u>(4,494)</u>	<u>(4,420)</u>	<u>(27,507)</u>
Amortized cost	<u>\$ 2,759,333</u>	<u>\$ 1,528,265</u>	<u>\$ 113,802</u>	<u>\$ 3,413</u>	<u>\$ 4,404,813</u>
<u>March 31, 2019</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 3,633,787	\$ 770,589	\$ 23,228	\$ 18,952	\$ 4,446,556
Loss allowance (Lifetime ECLs)	<u>(5,610)</u>	<u>(3,714)</u>	<u>(3,940)</u>	<u>(16,310)</u>	<u>(29,574)</u>
Amortized cost	<u>\$ 3,628,177</u>	<u>\$ 766,875</u>	<u>\$ 19,288</u>	<u>\$ 2,642</u>	<u>\$ 4,416,982</u>

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

	For the Three Months Ended March 31, 2020		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2020	\$ 597	\$ 27,507	\$ 13,697
Net remeasurement of loss allowance	(125)	3,291	-
Foreign exchange gains and losses	<u>-</u>	<u>(273)</u>	<u>-</u>
Balance at March 31, 2020	<u>\$ 472</u>	<u>\$ 30,525</u>	<u>\$ 13,697</u>

	For the Three Months Ended March 31, 2019		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2019	\$ 2,022	\$ 18,285	\$ 13,697
Net remeasurement of loss allowance	(448)	13,329	-
Amounts written off	-	(1,995)	-
Foreign exchange gains and losses	<u>-</u>	<u>(45)</u>	<u>-</u>
Balance at March 31, 2019	<u>\$ 1,574</u>	<u>\$ 29,574</u>	<u>\$ 13,697</u>

10. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Merchandise	\$ 1,934	\$ 3,432	\$ 3,321
Finished goods	2,387,402	2,275,276	2,973,886
Work in process	1,636,260	1,546,353	1,836,197
Raw materials and supplies	3,255,472	3,459,706	3,853,059
Inventory in transit	<u>238,530</u>	<u>268,177</u>	<u>292,274</u>
	<u>\$ 7,519,598</u>	<u>\$ 7,552,944</u>	<u>\$ 8,958,737</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 were \$2,722,767 thousand and \$3,190,428 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 included inventory write-downs of (reversal of inventory write-downs) of \$86,888 thousand and \$(47,106) thousand, and unallocated fixed overhead of \$74,100 thousand and \$86,284 thousand, respectively. Previous write-downs were reversed as a result of inventory consumed and increased selling prices in markets.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			March 31, 2020	December 31, 2019	March 31, 2019
The Corporation	Hiwin Corporation, U.S.A. (“Hiwin USA”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation, Japan (“Hiwin Japan”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin GmbH (“Hiwin Germany”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Eterbright Solar Corporation (“Eterbright”)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	74	74	74
	Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation (“Hiwin Korea”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Technologies (China) Corporation (“Hiwin China”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) (“Matrix Precision”) (Note 23)	Research, development, production, manufacture and sale of gear cutting tools and machinery	51	71	65
	Hiwin Healthcare Corp.	Sale of medical robots	100	100	100
	Hiwin S.R.L. (“Hiwin Italy”)	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
Matrix Precision	Matrix Machine Tool (Coventry) Limited (“Matrix”)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100	52
	Luren Precision Machinery (Shanghai) Co., Ltd. (“Luren Shanghai”)	Sale of gear cutting tools and machinery	100	100	100
	Luren Precision Chicago Co., Ltd. (“Luren USA”)	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	-

Except the financial statements of Hiwin China and Eterbright for the three months ended March 31, 2020 and 2019 were reviewed by the independent auditors, the remaining subsidiaries are immaterial subsidiaries; their financial statements have not been reviewed.

Luren USA has been liquidated in June 2019.

The Corporation acquired 48% shares of Matrix with the amount of \$220,864 thousand in July 2019, increasing its ownership from 52% to 100%.

Matrix Precision invested CNY2,000 thousand in July 2019 to set up a 100% owned company, Suzhou Matrix.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	March 31, 2020	December 31, 2019	March 31, 2019
	Eterbright	26%	26%
Matrix Precision	49%	29%	35%
Matrix	-	-	48%

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

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests		
	For the Three Months Ended March 31		March 31, 2020	December 31, 2019	March 31, 2019
	2020	2019			
Eterbright	\$ (34,231)	\$ (36,374)	\$ (116,214)	\$ (81,983)	\$ 25,478
Matrix Precision	(25,514)	(14,170)	(11,889)	(6,793)	37,147
Matrix	-	(432)	-	-	133,213
	<u>\$ (59,745)</u>	<u>\$ (50,976)</u>	<u>\$ (128,103)</u>	<u>\$ (88,776)</u>	<u>\$ 195,838</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 238,133	\$ 259,983	\$ 334,929
Non-current assets	1,163,740	1,202,962	1,310,056
Current liabilities	(1,714,163)	(1,626,893)	(1,334,902)
Non-current liabilities	<u>(137,629)</u>	<u>(153,445)</u>	<u>(211,444)</u>
Equity	<u>\$ (449,919)</u>	<u>\$ (317,393)</u>	<u>\$ 98,639</u>
Equity attributable to:			
Owners of Eterbright	\$ (333,705)	\$ (235,410)	\$ 73,161
Non-controlling interests of Eterbright	<u>(116,214)</u>	<u>(81,983)</u>	<u>25,478</u>
	<u>\$ (449,919)</u>	<u>\$ (317,393)</u>	<u>\$ 98,639</u>

	For the Three Months Ended March 31	
	2020	2019
Revenue	\$ 9,428	\$ 60,330
Net loss for the period	\$ (132,525)	\$ (140,821)
Other comprehensive loss for the period	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>\$ (132,525)</u>	<u>\$ (140,821)</u>
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (98,294)	\$ (104,447)
Non-controlling interests of Eterbright	<u>(34,231)</u>	<u>(36,374)</u>
	<u>\$ (132,525)</u>	<u>\$ (140,821)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (102,509)	\$ (152,623)
Investing activities	(6,401)	(11,245)
Financing activities	<u>101,731</u>	<u>149,493</u>
Net cash outflow	<u>\$ (7,179)</u>	<u>\$ (14,375)</u>

Matrix Precision and Matrix Precision subsidiaries

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 585,115	\$ 610,890	\$ 778,921
Non-current assets	1,394,746	1,391,702	865,247
Current liabilities	(999,979)	(1,060,204)	(1,135,978)
Non-current liabilities	<u>(996,602)</u>	<u>(996,268)</u>	<u>(393,791)</u>
Equity	<u>\$ (16,720)</u>	<u>\$ (53,880)</u>	<u>\$ 114,399</u>
Equity attributable to:			
Owners of Matrix Precision	\$ (8,536)	\$ (49,332)	\$ 74,371
Non-controlling interests of Matrix Precision	<u>(8,184)</u>	<u>(4,548)</u>	<u>40,028</u>
	<u>\$ (16,720)</u>	<u>\$ (53,880)</u>	<u>\$ 114,399</u>

	For the Three Months Ended March 31	
	2020	2019
Revenue	\$ 51,929	\$ 110,824
Net loss for the period	\$ (67,201)	\$ (41,660)
Other comprehensive loss for the period	<u>(153)</u>	<u>(316)</u>
Total comprehensive loss for the period	<u>\$ (67,354)</u>	<u>\$ (41,976)</u>

	For the Three Months Ended March 31	
	2020	2019
Loss attributable to:		
Owners of Matrix Precision	\$ (41,691)	\$ (26,961)
Non-controlling interests of Matrix Precision	<u>(25,510)</u>	<u>(14,699)</u>
	<u>\$ (67,201)</u>	<u>\$ (41,660)</u>
Total comprehensive loss attributable to:		
Owners of Matrix Precision	\$ (41,767)	\$ (27,157)
Non-controlling interests of Matrix Precision	<u>(25,587)</u>	<u>(14,819)</u>
	<u>\$ (67,354)</u>	<u>\$ (41,976)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (49,597)	\$ (80,809)
Investing activities	5,433	(211,503)
Financing activities	<u>51,148</u>	<u>373,240</u>
Net cash inflow	<u>\$ 6,984</u>	<u>\$ 80,928</u>
<u>Matrix</u>		
		March 31, 2019
Current assets		\$ 311,884
Non-current assets		186,713
Current liabilities		(63,888)
Non-current liabilities		<u>(129,981)</u>
Equity		<u>\$ 304,728</u>
Equity attributable to:		
Owners of Matrix		\$ 157,301
Non-controlling interests of Matrix		<u>147,427</u>
		<u>\$ 304,728</u>
		For the Three Months Ended March 31, 2019
Revenue		<u>\$ 40,602</u>
Net loss for the period		\$ (11,141)
Other comprehensive income (loss) for the period		<u>9,697</u>
Total comprehensive loss for the period		<u>\$ (1,444)</u>

	For the Three Months Ended March 31, 2019
Loss attributable to:	
Owners of Matrix	\$ (5,751)
Non-controlling interests of Matrix	<u>(5,390)</u>
	<u>\$ (11,141)</u>
Total comprehensive loss attributable to:	
Owners of Matrix	\$ (1,108)
Non-controlling interests of Matrix	<u>(336)</u>
	<u>\$ (1,444)</u>
Net cash inflow (outflow) from:	
Operating activities	\$ 118,752
Investing activities	(137,915)
Financing activities	<u>2,048</u>
Net cash outflow	<u>\$ (17,115)</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2020	December 31, 2019	March 31, 2019
Associates that are not individually materials	<u>\$ 196,587</u>	<u>\$ 192,144</u>	<u>\$ 184,326</u>
		For the Three Months Ended March 31	
		2020	2019
The Group's share of:			
Profit for the period		\$ 6,868	\$ 2,047
Other comprehensive income (loss) for the period		<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the period		<u>\$ 6,868</u>	<u>\$ 2,047</u>

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

13. PROPERTY, PLANT AND EQUIPMENT

	For the Three Months Ended March 31, 2020					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	\$ 5,598,313	\$ -	\$ -	\$ -	\$ 2,556	\$ 5,600,869
Buildings and improvements	13,715,699	6,249	-	46,102	(23,206)	13,744,844
Machinery and equipment	15,985,180	57,648	(413,272)	382,112	(8,183)	16,003,485
Transportation equipment	203,152	6,132	(5,778)	-	(1,964)	201,542
Leasehold improvements	118,293	-	-	-	(990)	117,303
Miscellaneous equipment	2,795,397	25,868	(17,839)	7,271	(5,295)	2,805,402
Construction in progress	671,639	106,433	-	(46,102)	(3,835)	728,135
	<u>39,087,673</u>	<u>\$ 202,330</u>	<u>\$ (436,889)</u>	<u>\$ 389,383</u>	<u>\$ (40,917)</u>	<u>39,201,580</u>

	For the Three Months Ended March 31, 2020					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Accumulated depreciation and impairment						
Buildings and improvements	1,826,396	\$ 84,088	\$ -	\$ -	\$ (2,965)	1,907,519
Machinery and equipment	7,168,883	426,093	(412,500)	-	(4,385)	7,178,091
Transportation equipment	104,874	8,270	(5,765)	-	(1,134)	106,245
Leasehold improvements	103,480	1,593	-	-	(672)	104,401
Miscellaneous equipment	1,604,612	68,487	(17,839)	-	(2,402)	1,652,858
	<u>10,808,245</u>	<u>\$ 588,531</u>	<u>\$ (436,104)</u>	<u>\$ -</u>	<u>\$ (11,558)</u>	<u>10,949,114</u>
	<u>\$ 28,279,428</u>					<u>\$ 28,252,466</u>

	For the Three Months Ended March 31, 2019							
	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost								
Land	\$ 3,990,126	\$ -	\$ 3,990,126	\$ -	\$ -	\$ -	\$ 1,469	\$ 3,991,595
Buildings and improvements	9,997,986	-	9,997,986	6,469	(3,204)	2,173,423	18,077	12,192,751
Machinery and equipment	14,678,814	-	14,678,814	220,585	(180,849)	362,895	(2,401)	15,079,044
Transportation equipment	194,485	-	194,485	6,232	(4,220)	-	(1,747)	194,750
Leased assets	6,802	(6,802)	-	-	-	-	-	-
Leasehold improvements	110,441	-	110,441	909	-	4,483	(198)	115,635
Miscellaneous equipment	2,345,440	-	2,345,440	49,108	(2,079)	13,241	(1,505)	2,404,205
Construction in progress	3,610,609	-	3,610,609	266,819	-	(2,173,458)	1,275	1,705,245
Prepayments for land	23,112	-	23,112	208,005	-	-	-	231,117
	<u>34,957,815</u>	<u>\$ (6,802)</u>	<u>\$ 34,951,013</u>	<u>\$ 758,127</u>	<u>\$ (190,352)</u>	<u>\$ 380,584</u>	<u>\$ 14,970</u>	<u>35,914,342</u>
Accumulated depreciation and impairment								
Buildings and improvements	1,525,719	\$ -	\$ 1,525,719	\$ 65,431	\$ (3,204)	\$ -	\$ (1,564)	1,586,382
Machinery and equipment	6,598,831	-	6,598,831	394,784	(176,783)	-	(832)	6,816,000
Transportation equipment	96,771	-	96,771	7,678	(3,987)	-	(1,020)	99,442
Leased assets	6,149	(6,149)	-	-	-	-	-	-
Leasehold improvements	93,780	-	93,780	1,310	-	3,829	(73)	98,846
Miscellaneous equipment	1,409,670	-	1,409,670	58,891	(2,057)	-	(870)	1,465,634
	<u>9,730,920</u>	<u>\$ (6,149)</u>	<u>\$ 9,724,771</u>	<u>\$ 528,094</u>	<u>\$ (186,031)</u>	<u>\$ 3,829</u>	<u>\$ (4,359)</u>	<u>10,066,304</u>
	<u>\$ 25,226,895</u>							<u>\$ 25,848,038</u>

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

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Land	\$ 341,339	\$ 345,596	\$ 373,527
Buildings	425,942	423,772	486,517
Transportation equipment	22,064	21,829	20,240
Miscellaneous equipment	<u>1,117</u>	<u>1,293</u>	<u>1,620</u>
	<u>\$ 790,462</u>	<u>\$ 792,490</u>	<u>\$ 881,904</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 3,826</u>	<u>\$ 3,311</u>
Depreciation charge for right-of-use assets		\$ 5,102	\$ 5,157
Land		39,409	36,477
Buildings		2,018	2,053
Transportation equipment		<u>167</u>	<u>161</u>
Miscellaneous equipment		<u>\$ 46,696</u>	<u>\$ 43,848</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 166,592</u>	<u>\$ 157,851</u>	<u>\$ 153,241</u>
Non-current	<u>\$ 472,425</u>	<u>\$ 482,527</u>	<u>\$ 556,448</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	1.45%-1.50%	1.45%-1.50%	1.45%-1.50%
Buildings	1.45%-4.10%	1.45%-4.10%	1.45%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 1,883</u>	<u>\$ 6,950</u>
Expenses relating to low-value asset leases	<u>\$ 588</u>	<u>\$ 505</u>
Total cash outflow for leases	<u>\$ (49,191)</u>	<u>\$ (55,565)</u>

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

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

The Date of Initial Cost Contribution	March 31, 2020	December 31, 2019	March 31, 2019
Within 1 year	\$ 539,909	\$ 699,983	\$ 1,688,894
1-2 years	956,439	1,111,265	1,068,075
2-5 years	576,830	474,946	287,033
More than 5 years	<u>4,276</u>	<u>6,918</u>	<u>17,231</u>
	<u>\$ 2,077,454</u>	<u>\$ 2,293,112</u>	<u>\$ 3,061,233</u>

In order to master key manufacturing technology, reduce product costs and improve the automation of equipment, the Corporation designed, developed, and assembled equipment by itself. The above-mentioned prepayments for machinery and equipment include both internal-developed and outsourcing equipment.

16. BORROWINGS

a. Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings (Note 27)</u>			
Working capital loans	\$ 3,274,299	\$ 3,226,538	\$ 2,161,675
Loans for export sales	1,000,000	1,000,000	805,900
Loans for purchasing raw material	25,074	25,269	66,098
Usance letters of credit	<u>19,668</u>	<u>2,622</u>	<u>13,860</u>
	4,319,041	4,254,429	3,047,533
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>5,948,135</u>	<u>5,507,988</u>	<u>4,740,000</u>
	<u>\$ 10,267,176</u>	<u>\$ 9,762,417</u>	<u>\$ 7,787,533</u>
<u>Rate of interest per annum (%)</u>			
Working capital loans	0.28-3.63	0.24-3.65	0.88-3.91
Loans for export sales	0.81	0.81	0.80-1.53
Loans for purchasing raw material	1.55-1.90	1.37-1.90	1.06-1.88
Usance letters of credit	1.22-1.81	1.15	0.85-1.15
Line of credit borrowings	0.82-3.65	0.82-3.65	0.82-0.95

b. Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings (Note 27)</u>			
Secured loans	\$ 8,563,078	\$ 8,981,491	\$ 8,016,474
<u>Unsecured borrowings</u>			
Unsecured loans	<u>459,060</u>	<u>371,052</u>	<u>120,009</u>
	9,022,138	9,352,543	8,136,483
Less: Current portion	<u>(1,281,616)</u>	<u>(1,519,285)</u>	<u>(1,830,611)</u>
Long-term borrowings	<u>\$ 7,740,522</u>	<u>\$ 7,833,258</u>	<u>\$ 6,305,872</u>
<u>Rate of interest per annum (%)</u>			
Secured loans	1.03-4.90	1.03-4.90	1.03-4.90
Unsecured loans	1.05-4.90	1.05-4.90	0.99-2.10

17. OTHER PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Payables for salaries and bonuses	\$ 336,801	\$ 597,117	\$ 522,671
Payables for compensation to employees	152,790	152,322	584,297
Payables for annual leave	152,597	124,915	187,372
Payables for purchase of equipment	85,223	200,671	101,589
Payables for remuneration to directors	74,652	74,652	279,448
Others	<u>372,892</u>	<u>391,747</u>	<u>460,238</u>
	<u>\$ 1,174,955</u>	<u>\$ 1,541,424</u>	<u>\$ 2,135,615</u>

18. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018. Employee benefit expenses for the three months ended March 31, 2020 and 2019 were \$1,078 thousand and \$1,671 thousand, respectively.

19. EQUITY

a. Ordinary shares

	March 31, 2020	December 31, 2019	March 31, 2019
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,579</u>	<u>309,579</u>	<u>300,562</u>
Shares issued	<u>\$ 3,095,789</u>	<u>\$ 3,095,789</u>	<u>\$ 3,005,620</u>

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

b. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
<u>May be used to offset a deficit, distributed as cash, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 3,230,834	\$ 3,230,834	\$ 3,230,834
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries (2)	84,098	-	-
Employee share invalid	<u>5,440</u>	<u>5,440</u>	<u>5,440</u>
	<u>\$ 3,320,372</u>	<u>\$ 3,236,274</u>	<u>\$ 3,236,274</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals.

c. Retained earnings and dividends policy

The shareholders held their regular meeting on June 28, 2019 and, in that meeting resolved amendments to the Articles of Incorporation of the Corporation, under the dividend policy as set forth in the amended Articles, where distributed profit in every 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 capital reserve equal to the Corporation's paid-in capital and setting aside special reserve in accordance with the laws and regulations, then setting less than 6% (inclusive) as dividends. The Corporation's profit may be distributed in cash dividend and/or stock dividend, provided that the ratio for stock dividend shall not exceed two-thirds of the Corporation's dividends and bonus to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholder's meeting. For the policies on distribution of employees' compensation and remuneration of directors after the amendment, refer to c. Employees' compensation and remuneration of directors in Note 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.

Cash dividends per share for 2019 which have been approved by the board of directors on May 5, 2020, the appropriations of earnings for 2019 which have been proposed by the board of directors on May 5, 2020, the appropriations of earnings for 2018 which have been approved in the shareholders' meetings on June 28, 2019, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 186,532	\$ 539,226		
Reversal special reserve	-	(250,940)		
Cash dividends	557,242	2,103,934	\$ 1.8	\$ 7.0
Share dividends	92,874	90,169	0.3	0.3

The appropriation of earnings for 2019 is subject to the resolution in the shareholders' meeting to be held on June 19, 2020, and cash dividends per share will be reported on company affairs.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2020	2019
Interest on bank loans	\$ 58,174	\$ 35,496
Interest on lease liabilities	<u>2,714</u>	<u>2,938</u>
	<u>\$ 60,888</u>	<u>\$ 38,434</u>

Information about capitalized interest is as follows:

	For the Three Months Ended March 31	
	2020	2019
Capitalized interest	\$ 6,639	\$ 15,426
Capitalization rates (%)	1.40-4.90	1.32-1.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Three Months Ended March 31, 2020</u>			
Short-term employee benefits	\$ 687,964	\$ 507,559	\$ 1,195,523
Post-employment benefits			
Defined contribution plans	22,157	16,009	38,166
Defined benefit plans (Note 18)	837	241	1,078
Other employee benefits	32,421	9,950	42,371
Depreciation expenses	481,280	92,272	573,552
Amortization expenses	8,460	7,425	15,885

For the Three Months Ended March 31, 2019

Short-term employee benefits	757,994	541,783	1,299,777
Post-employment benefits			
Defined contribution plans	32,163	17,670	49,833
Defined benefit plans (Note 18)	1,402	269	1,671
Other employee benefits	49,966	11,748	61,714
Depreciation expenses	434,571	90,113	524,684
Amortization expenses	6,483	7,588	14,071

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months March 31, 2020, the Group had incurred net loss, hence, no employees' compensation and the remuneration of directors. For the three months March 31, 2019, the employees' compensation and the remuneration of directors was as follows:

	For the Three Months Ended March 31, 2019	
	Accrual rate	Amount
Employees' compensation	7.5%	\$ 66,533
Remuneration of directors	3.7%	33,267

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

The appropriations of employees' compensation and remuneration of directors for 2019 and 2018 which have been resolved by the board of directors on March 25, 2020 and March 26, 2019, respectively, were as below:

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

21. INCOME TAXES

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

	For the Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current period	\$ 12,049	\$ 183,698
Adjustments for prior periods	1,746	(2,394)
Deferred tax		
In respect of the current period	<u>9,316</u>	<u>54,930</u>
Income tax expense recognized in profit or loss	<u>\$ 23,111</u>	<u>\$ 236,234</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

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

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current period		
Translation of foreign operations	\$ (8,980)	\$ 4,786

c. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2017, 2018 and 2018 have been assessed by the tax authorities, respectively.

22. EARNINGS (LOSS) PER SHARE

	Net profit (loss) Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings (loss) Per Shares (NT\$)
<u>For the Three Months Ended March 31, 2020</u>			
Basic loss per share			
Loss for the period attributable to owners of the Corporation	\$ (131,249)	309,579	<u>\$(0.42)</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	-	
Diluted loss per share			
Loss for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ (131,249)</u>	<u>309,579</u>	<u>\$(0.42)</u>
<u>For the Three Months Ended March 31, 2019</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Corporation	\$ 619,640	309,579	<u>\$2.00</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	<u>2,003</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 619,640</u>	<u>311,582</u>	<u>\$1.99</u>

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

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 2.06</u>	<u>\$ 2.00</u>
Diluted earnings per share	<u>\$ 2.05</u>	<u>\$ 1.99</u>

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

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On February 29, 2020, the Corporation didn't subscribed for any newly issued shares of Matrix Precision, decreasing its continuing interest from 71% to 51%, and recognized the amount of \$84,098 thousand in capital surplus.

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

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

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

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

The 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 measuring Level 2 fair value measurement

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

b. Categories of financial instruments

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 3,890	\$ 2,584	\$ 1,541
Financial assets at amortized cost (1)	6,560,169	6,920,057	7,858,934
Financial assets at FVTOCI			
Equity instruments	736,349	1,026,394	1,317,581
<u>Financial liabilities</u>			
FVTPL			
Mandatorily classified as at FVTPL	751	29	1,939
Financial liabilities at amortized cost (2)	22,530,664	22,938,768	21,436,862

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

There had been no change to the 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.

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

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used in reporting foreign currency risk internally to key management personnel mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 1% increase movement in the levels of the NTD against the relevant foreign currency, the post-tax loss for the three months ended March 31, 2020 would have increased by \$39,884 thousand, and the post-tax profit for the three months ended March 31, 2019 would have decreased by \$49,262 thousand.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at 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.

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
Deposits in bank	\$ 164,683	\$ 222,926	\$ 277,416
Lease liabilities	639,017	640,378	709,689
Short-term borrowings	2,010,000	2,020,000	-
Long-term borrowings	345,744	302,923	-

	March 31, 2020	December 31, 2019	March 31, 2019
Cash flow interest rate risk			
Deposits in bank	\$ 1,708,262	\$ 1,720,881	\$ 2,168,725
Short-term borrowings	8,257,176	7,742,417	7,787,533
Long-term borrowings	8,676,394	9,049,620	8,136,483

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax loss for the three months ended March 31, 2020 would have increased by \$30,451 thousand, and post-tax profit for the three months ended March 31, 2019 would have decreased by \$27,511 thousand.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 74%, 70% and 54% of the total trade receivables as of March 31, 2020, December 31, 2019 and March 31, 2019, 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 March 31, 2020, December 31, 2019 and March 31, 2019, the Group had available unutilized bank loan facilities of \$5,763,140 thousand, \$6,445,816 thousand and \$6,571,990 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
<u>March 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,241,350	\$ -	\$ -
Lease liabilities	178,924	332,402	168,881
Fixed interest rate liabilities	2,063,138	188,216	104,390
Variable interest rate liabilities	<u>9,485,654</u>	<u>3,685,407</u>	<u>3,762,509</u>
	<u>\$ 14,969,066</u>	<u>\$ 4,206,025</u>	<u>\$ 4,035,780</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 751</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

Non-derivative financial liabilities			
Non-interest bearing	\$ 3,823,808	\$ -	\$ -
Lease liabilities	169,695	351,492	188,578
Fixed interest rate liabilities	2,063,432	152,468	107,023
Variable interest rate liabilities	<u>9,218,270</u>	<u>3,658,858</u>	<u>3,914,909</u>
	<u>\$ 15,275,205</u>	<u>\$ 4,162,818</u>	<u>\$ 4,210,510</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2019

Non-derivative financial liabilities			
Non-interest bearing	\$ 5,512,846	\$ -	\$ -
Lease liabilities	165,165	372,774	220,756
Variable interest rate liabilities	<u>9,618,144</u>	<u>3,753,190</u>	<u>2,552,682</u>
	<u>\$ 15,296,155</u>	<u>\$ 4,125,964</u>	<u>\$ 2,773,438</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,939</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>March 31, 2020</u>					
Lease liabilities	<u>\$ 178,924</u>	<u>\$ 332,402</u>	<u>\$ 99,467</u>	<u>\$ 53,533</u>	<u>\$ 15,881</u>
<u>December 31, 2019</u>					
Lease liabilities	<u>\$ 169,695</u>	<u>\$ 351,492</u>	<u>\$ 110,698</u>	<u>\$ 57,475</u>	<u>\$ 20,405</u>

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>March 31, 2019</u>					
Lease liabilities	<u>\$ 165,165</u>	<u>\$ 372,774</u>	<u>\$ 139,041</u>	<u>\$ 57,065</u>	<u>\$ 24,650</u>

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of 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 Consolidated Corporation</u>
Hiwin S.R.O.	Associates
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associates
Coventry Matrix Technologies Ltd.	Others (since July 1, 2019, it's not related party)
Hiwin Mikrosystem	Others
Hiwin Investment and Holding Corporation	Others
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Others
All Horng Gear Industry Co., Ltd	Others
Taiwan Gong Ji Chang Co., Ltd	Others

b. Operating transactions

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
1) Sales of goods		
Associates	\$ 60,344	\$ 56,131
Others	<u>40,435</u>	<u>11,136</u>
	<u>\$ 100,779</u>	<u>\$ 67,267</u>

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

	For the Three Months Ended March 31	
	2020	2019
2) Purchases of goods		
Others	\$ 107,420	\$ 146,938
Associates	<u>28</u>	<u>-</u>
	<u>\$ 107,448</u>	<u>\$ 146,938</u>

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

	For the Three Months Ended March 31		
	2020	2019	
3) Other operating transactions			
Non-operating income - other income			
Others	<u>\$ 227</u>	<u>\$ 30</u>	
Manufacturing and operating expenses			
Others	<u>\$ 1,358</u>	<u>\$ 680</u>	
Operating expenses - donations			
Hiwin Education Foundation	<u>\$ 3,500</u>	<u>\$ -</u>	
	March 31, 2020	December 31, 2019	March 31, 2019
4) Notes receivable			
Others	<u>\$ 402</u>	<u>\$ 878</u>	<u>\$ 2,369</u>
5) Trade receivables			
Associates	\$ 33,603	\$ 15,724	\$ 24,306
Others	<u>24,645</u>	<u>1,628</u>	<u>1,296</u>
	<u>\$ 58,248</u>	<u>\$ 17,352</u>	<u>\$ 25,602</u>
6) Other receivable (classified as other current asset)			
Others	<u>\$ 202</u>	<u>\$ 515</u>	<u>\$ 35</u>
7) Trade payables			
Others	<u>\$ 126,636</u>	<u>\$ 131,925</u>	<u>\$ 149,117</u>

	March 31, 2020	December 31, 2019	March 31, 2019
8) Other payable			
Others	\$ <u>392</u>	\$ <u>554</u>	\$ <u>1,166</u>
9) Other non-current liabilities			
Others	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,731</u>
c. Acquisition of property, plant and equipment			
		Purchase Price	
		For the Year Ended December 31	
		2020	2019
Others		\$ <u>3,000</u>	\$ <u>-</u>
d. Lease arrangements			
<p>Leas arrangements represented the lease prices that the Corporation leased factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the factory nearby and the lease area. The rental expenses were paid monthly.</p>			
		For the Three Months Ended	
		March 31	
		2020	2019
<u>Acquisition of right-of-use assets</u>			
Others		\$ <u>-</u>	\$ <u>3,622</u>
	March 31, 2020	December 31, 2019	March 31, 2019
<u>Lease liabilities</u>			
Others	\$ <u>5,247</u>	\$ <u>6,304</u>	\$ <u>3,175</u>
		For the Three Months Ended	
		March 31	
		2020	2019
<u>Finance costs</u>			
Others		\$ <u>20</u>	\$ <u>12</u>

e. Compensation of key management personnel

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 54,723	\$ 119,156
Post-employment benefits	683	179
Other long-term employee benefits	<u>1,060</u>	<u>368</u>
	<u>\$ 56,466</u>	<u>\$ 119,703</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	\$ 16,612,501	\$ 16,769,287	\$ 14,297,165
Right-of-use assets	74,836	76,142	82,366
Pledge deposits (classified as other current asset)	<u>2,000</u>	<u>5,300</u>	<u>3,330</u>
	<u>\$ 16,689,337</u>	<u>\$ 16,850,729</u>	<u>\$ 14,382,861</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of March 31, 2020, December 31, 2019 and March 31, 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$190,490 thousand, \$150,507 thousand and \$334,013 thousand, respectively.
- b. As of March 31, 2020, December 31, 2019 and March 31, 2019, commitment for acquisition of property, plant and equipment amounted to \$1,195,417 thousand, \$1,275,485 thousand and \$2,006,885 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	March 31, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 16,856	30.225	\$ 509,483	\$ 17,384	29.980	\$ 521,175
EUR	32,402	33.24	1,077,037	28,963	33.59	972,871
JPY	1,807,008	0.2788	503,794	1,957,608	0.2760	540,300
CNY	716,837	4.255	3,050,142	758,276	4.305	3,264,379
Non-monetary items						
USD	5,017	30.225	151,639	5,017	29.980	150,410
ILS	12,071	8.508	102,702	11,397	8.666	98,764
<u>Financial liabilities</u>						
Monetary items						
USD	2,466	30.225	74,535	3,168	29.980	94,979
EUR	1,390	33.24	46,219	747	33.59	25,098
JPY	99,694	0.2788	27,795	179,855	0.2760	49,640
CNY	1,502	4.255	6,391	2,501	4.305	10,765
	March 31, 2019					
	Foreign Currencies	Exchange Rate	Carrying Amount			
<u>Financial assets</u>						
Monetary items						
USD	\$ 29,394	30.820	\$ 905,927			
EUR	52,932	34.61	1,831,976			
JPY	3,087,258	0.2783	859,184			
CNY	675,649	4.580	3,094,473			
Non-monetary items						
USD	5,017	30.820	154,624			
ILS	10,896	8.496	92,579			
<u>Financial liabilities</u>						
Monetary items						
USD	7,554	30.820	232,824			
EUR	3,688	34.61	127,635			
JPY	565,581	0.2783	157,401			
CNY	3,481	4.580	15,942			

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

Foreign Currencies	For the Three Months Ended March 31, 2020		For the Three Months Ended March 31, 2019	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 26,098</u>	1 (NTD:NTD)	<u>\$ 71,407</u>

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 4 and 6)
 - The amount of property transactions and the amount of the resultant gains or losses. (None)
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - 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 9)

31. SEGMENT INFORMATION

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

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

	Three Months Ended March 31			
	Segment Revenue		Segment Profit	
	2020	2019	2020	2019
Linear guideways	\$ 2,291,501	\$ 3,478,601	\$ 92,864	\$ 826,148
Ballscrews	783,558	876,145	(1,214)	56,026
Others	<u>539,008</u>	<u>693,250</u>	<u>(177,102)</u>	<u>(122,528)</u>
Total from continuing operations	<u>\$ 3,614,067</u>	<u>\$ 5,047,996</u>	(85,452)	759,646
Finance costs			(60,888)	(38,434)
Share of profit of associates accounted for using the equity method			6,868	2,047
Interest income			3,576	3,253
Other income			16,853	25,439
Valuation gain (loss) on financial assets (liabilities) at FVTPL			918	(18,587)
Other expenses			(2,379)	(219)
Net foreign exchange gain (loss)			<u>(47,301)</u>	<u>66,819</u>
Profit (loss) before income tax			<u>\$ (167,805)</u>	<u>\$ 799,964</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the three months ended March 31, 2020 and 2019.

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 200,163	\$ 153,076	\$ 153,076	1.76%	1	Sales \$560,400	-	\$ -	-	\$ -	\$ 3,505,509	\$ 7,011,018
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	125,334	70,313	70,313	1.76%	1	Sales 457,788	-	-	-	-	3,509,509	7,011,018
0	The Corporation	Matrix	Other receivables from related parties	Yes	37,250	37,250	-	1.76%	2	-	Operating capital	-	-	-	3,505,509	7,011,018

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

Note 2: Nature of the loan funds:

1. Business relationship.
2. Necessary for short-term financing.

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

Note 4: The ending balance amount 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 THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currency)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix	Subsidiary	\$ 2,337,006	\$ 74,500 (GBP 2,000)	\$ 74,500 (GBP 2,000)	\$ 22,350 (GBP 600)	\$ -	0.3	\$ 8,179,521	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	2,337,006	332,400 (EUR 10,000)	332,400 (EUR 10,000)	107,271 (EUR 3,227)	-	1.4	8,179,521	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	2,337,006	1,900,000	1,700,000	1,532,000	-	7.3	8,179,521	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	2,337,006	120,900 (USD 4,000)	120,900 (USD 4,000)	87,653 (USD 2,900)	-	0.5	8,179,521	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	2,337,006	211,575 (USD 7,000)	211,575 (USD 7,000)	152,636 (USD 5,050)	-	0.9	8,179,521	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	2,337,006	601,372 (JPY 2,157,000)	601,372 (JPY 2,157,000)	601,001 (JPY 2,155,671)	-	2.6	8,179,521	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	2,337,006	600,000	500,000	499,000	-	2.1	8,179,521	Yes	-	-

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

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

Note 3: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on March 31, 2020.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	<u>Government bonds</u>							
	Central Government Bonds 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,906	-	\$ 2,906	
	<u>Share capital</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,375,113	498,756	8	498,756	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,000,000	27,405	5	27,405	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,500	-	2,500	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-		
Kaland	-	Financial assets at FVTOCI - non-current	323,289	204,368	19	204,368		
Hiwin Germany	<u>Share capital</u>							
	Hiwin (Schweiz) GmbH	-	Financial assets at FVTOCI - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2020
(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 Germany	Subsidiary	Sale	\$ (320,247)	(12)	O/A 90 days	\$ -	-	\$ 322,255	7	
	Hiwin China	Subsidiary	Sale	(423,150)	(16)	O/A 120 days	-	-	609,907	14	
	Hiwin Italy	Subsidiary	Sale	(103,381)	(4)	O/A 180 days	-	-	330,053	7	
Hiwin Germany	The Corporation	Parent Company	Purchase	320,247	56	O/A 90 days	-	-	(322,255)	(83)	
Hiwin China	The Corporation	Parent Company	Purchase	423,150	89	O/A 120 days	-	-	(609,907)	(95)	
Hiwin Italy	The Corporation	Parent Company	Purchase	103,381	68	O/A 180 days	-	-	(330,053)	(77)	

Note: 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

MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 210,466	1.24	\$ -	-	\$ -	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	153,811	-	-	-	-	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	322,255	4.64	-	-	52,679	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	330,053	1.3	-	-	31,374	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	70,416	-	-	-	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	609,907	2.79	-	-	122,787	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	114,596	2.02	-	-	24,246	-

Note: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(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	\$ 320,247	O/A 90 days	9	
			1	Trade receivables	322,255	O/A 90 days	1	
		Hiwin Japan	1	Sales	71,574	O/A 150 days	2	
			1	Trade receivables	210,466	O/A 150 days	-	
		Hiwin China	1	Other receivables	153,811	-	-	
			1	Sales	423,150	O/A 120 days	12	
		Hiwin Italy	1	Trade receivables	609,907	O/A 120 days	1	
			1	Sales	103,381	O/A 180 days	3	
		Hiwin USA	1	Trade receivables	330,053	O/A 180 days	1	
			1	Other receivables	70,416	-	-	
		Hiwin Korea	1	Sales	61,224	O/A 120 days	2	
			1	Trade receivables	80,968	O/A 120 days	-	
		Hiwin Singapore	1	Sales	59,470	O/A 180 days	2	
			1	Trade receivables	114,596	O/A 180 days	-	
				1	Sales	21,302	O/A 120 days	1
				1	Trade receivables	30,030	O/A 120 days	-

Note 1: Relationship of 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 are \$100,552 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2020	December 31, 2019	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	\$ 1,644,222	\$ 42,248	\$ 42,248	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	585,560	16,089	16,089	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	161,595	(45,761)	(45,761)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	135,531	14,332	5,733	Investments accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	2,983,556	2,983,556	171,449,427	74	(333,705)	(132,525)	(98,294)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(49,829)	276	276	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(96,318)	(30,209)	(30,209)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	603,244	603,244	21,710,747	51	163,683	(67,201)	(41,516)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,905	-	-	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	34,588	(6,241)	(6,241)	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	286,230	(17,893)	(14,949)	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	61,056 (EUR 1,837)	(Note 1)	(Note 1)	Investments accounted for using the equity method

Note 1: Not applicable.

Note 2: Significant intercompany accounts and transactions have been eliminated except Mega-Fabs and Hiwin S.R.O.

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020
					Outward	Inward						
YIFU Finance	Finance lease	\$ 254,283 (USD 8,413)	(Note 1)	\$ 139,733 (USD 5,017)	\$ -	\$ -	\$ 139,733 (USD 5,017)	\$ (11,200)	19	(Note 3)	\$ 204,368	\$ 75,617 (USD 2,424)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,498,040 (CNY 300,000)	-	-	1,498,040 (CNY 300,000)	(17,741)	100	\$ (17,741) (Notes 4 and 7)	1,641,312 (Note 7)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(1,706)	51	(1,093) (Notes 4 and 7)	4,707 (Note 7)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (CNY 2,000)	(Note 2)	9,076 (CNY 2,000)	-	-	9,076 (CNY 2,000)	(1,089)	51	(698) (Notes 4 and 7)	2,093 (Note 7)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Corporation	\$ 1,637,773 (USD 5,017 and CNY 300,000)	\$ 1,563,638 (USD 9,500 and CNY 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and CNY 2,000)	\$ 23,123 (USD 439 and CNY 2,000)	\$ - (Notes 5 and 6)

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

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

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

Note 4: Except the financial statements of Hiwin China were reviewed by the independent auditors of the Corporation the share of profit and loss were calculated based on the financial statements that have not been reviewed.

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

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

Note 7: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,209,623	7.17%

Note 1: The information of major shareholders is provided by the Taiwan Depository & Clearing Corporation, and based on the number of ordinary shares and special shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company on the last business date of current quarter. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.