

**Hiwin Technologies Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and the Shareholders
Hiwin Technologies Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Hiwin Technologies Corporation and its subsidiaries (the "Group") as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$8,487,983 thousand and NT\$8,985,798 thousand, respectively, both representing 18% of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$4,311,103 thousand and NT\$4,729,585 thousand, respectively, representing 17% and 18%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amount of combined comprehensive income (loss) of these subsidiaries were NT\$19,521 thousand, NT\$12,302 thousand, NT\$(83,450) thousand and NT\$144,991 thousand, respectively, representing 3%, 2%, (37%) and 9%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 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

August 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	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,456,080	5	\$ 2,008,745	4	\$ 2,205,070	4
Financial assets at fair value through profit or loss - current (Note 7)	5,258	-	2,584	-	2,264	-
Notes receivable from unrelated parties, net (Note 9)	642,885	1	404,636	1	609,359	1
Notes receivable from related parties, net (Note 28)	906	-	878	-	1,832	-
Trade receivables from unrelated parties, net (Note 9)	4,760,926	10	4,404,813	9	5,099,162	10
Trade receivables from related parties, net (Note 28)	21,683	-	17,352	-	25,923	-
Inventories (Note 10)	6,988,875	15	7,552,944	16	8,363,396	17
Other current assets (Notes 6, 28 and 29)	545,290	1	455,503	1	608,745	1
Total current assets	15,421,903	32	14,847,455	31	16,915,751	33
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	964,456	2	1,026,394	2	1,249,334	3
Financial assets at amortized cost - non-current	2,906	-	2,922	-	2,922	-
Investments accounted for using the equity method (Note 12)	200,702	-	192,144	-	194,847	-
Property, plant and equipment (Notes 13, 28 and 29)	28,109,776	58	28,279,428	58	27,414,472	54
Right-of-use assets (Notes 14, 28 and 29)	772,347	2	792,490	2	853,436	2
Goodwill	256,163	1	256,163	1	256,163	1
Deferred tax assets (Note 4)	363,185	1	388,328	1	422,830	1
Prepayments for machinery and equipment (Note 15)	2,047,661	4	2,293,112	5	3,106,651	6
Refundable deposits	79,398	-	80,711	-	82,143	-
Other non-current assets (Note 9)	176,026	-	172,709	-	157,892	-
Total non-current assets	32,972,620	68	33,484,401	69	33,740,690	67
TOTAL	\$ 48,394,523	100	\$ 48,331,856	100	\$ 50,656,441	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 29)	\$ 9,880,577	21	\$ 9,762,417	20	\$ 9,179,192	18
Financial liabilities at fair value through profit or loss - current (Note 7)	1,448	-	29	-	2,175	-
Contract liabilities - current (Note 28)	133,914	-	120,069	-	181,392	-
Notes payable	917	-	8,581	-	3,630	-
Trade payables to unrelated parties	2,439,567	5	2,141,878	5	2,368,024	5
Trade payables to related parties (Note 28)	141,646	-	131,925	-	199,851	1
Other payables (Notes 17 and 28)	1,239,646	3	1,541,424	3	2,747,758	6
Dividends payable (Note 25)	557,242	1	-	-	2,103,934	4
Current tax liabilities (Note 4)	165,188	-	145,818	-	635,465	1
Lease liabilities - current (Notes 14 and 28)	164,743	-	157,851	1	153,086	-
Current portion of long-term borrowings (Notes 16 and 29)	1,268,906	3	1,519,285	3	1,639,994	3
Other current liabilities	99,184	-	93,593	-	124,269	-
Total current liabilities	16,092,978	33	15,622,870	32	19,338,770	38
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 29)	7,612,933	16	7,833,258	16	6,034,463	12
Deferred tax liabilities (Note 4)	474,406	1	450,354	1	499,016	1
Lease liabilities - non-current (Notes 14 and 28)	460,421	1	482,527	1	534,418	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	231,343	-	276,353	1	304,391	1
Other non-current liabilities (Notes 16 and 28)	23,509	-	12,017	-	37,666	-
Total non-current liabilities	8,802,612	18	9,054,509	19	7,409,954	15
Total liabilities	24,895,590	51	24,677,379	51	26,748,724	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION						
Ordinary shares	3,095,789	6	3,095,789	6	3,005,620	6
Share dividends to be distributed	92,874	-	-	-	90,169	-
Capital surplus	3,320,372	7	3,236,274	7	3,236,274	7
Retained earnings						
Legal reserve	2,892,584	6	2,706,052	5	2,706,052	5
Unappropriated earnings	14,009,407	29	14,410,303	30	14,037,708	28
Other equity	203,845	1	294,835	1	700,875	1
Total equity attributable to owners of the Corporation	23,614,871	49	23,743,253	49	23,776,698	47
NON-CONTROLLING INTERESTS	(115,938)	-	(88,776)	-	131,019	-
Total equity	23,498,933	49	23,654,477	49	23,907,717	47
TOTAL	\$ 48,394,523	100	\$ 48,331,856	100	\$ 50,656,441	100

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Note 28)	\$ 5,628,576	100	\$ 6,086,028	100	\$ 9,242,643	100	\$ 11,134,024	100
COST OF GOODS SOLD (Notes 10, 20 and 28)	<u>4,060,143</u>	<u>72</u>	<u>3,891,024</u>	<u>64</u>	<u>6,782,910</u>	<u>73</u>	<u>7,081,452</u>	<u>64</u>
GROSS PROFIT	<u>1,568,433</u>	<u>28</u>	<u>2,195,004</u>	<u>36</u>	<u>2,459,733</u>	<u>27</u>	<u>4,052,572</u>	<u>36</u>
OPERATING EXPENSES (Notes 20 and 28)								
Selling and marketing expenses	284,990	5	428,442	7	641,824	7	838,434	8
General and administrative expenses	366,806	7	414,390	7	756,012	8	817,006	7
Research and development expenses	<u>229,006</u>	<u>4</u>	<u>291,930</u>	<u>5</u>	<u>459,718</u>	<u>5</u>	<u>577,244</u>	<u>5</u>
Total operating expenses	<u>880,802</u>	<u>16</u>	<u>1,134,762</u>	<u>19</u>	<u>1,857,554</u>	<u>20</u>	<u>2,232,684</u>	<u>20</u>
PROFIT FROM OPERATIONS	<u>687,631</u>	<u>12</u>	<u>1,060,242</u>	<u>17</u>	<u>602,179</u>	<u>7</u>	<u>1,819,888</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES								
Subsidy revenue (Note 16)	22,265	-	23,012	1	22,500	-	24,055	-
Finance costs (Notes 20 and 28)	(55,120)	(1)	(46,298)	(1)	(116,008)	(2)	(84,732)	(1)
Share of profit of associates accounted for using the equity method (Note 12)	4,208	-	7,125	-	11,076	-	9,172	-
Interest income	4,421	-	3,405	-	7,997	-	6,658	-
Gain from bargain purchase (Note 23)	48,159	1	-	-	48,159	1	-	-
Other income (Note 28)	74,334	1	75,267	1	90,952	1	99,663	1
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	7,731	-	114	-	8,649	-	(18,473)	-
Other expenses	(2,122)	-	(364)	-	(4,501)	-	(583)	-
Net foreign exchange gain (loss) (Note 31)	<u>(32,572)</u>	<u>-</u>	<u>24,284</u>	<u>1</u>	<u>(79,873)</u>	<u>(1)</u>	<u>91,103</u>	<u>1</u>
Total non-operating income and expenses	<u>71,304</u>	<u>1</u>	<u>86,545</u>	<u>2</u>	<u>(11,049)</u>	<u>(1)</u>	<u>126,863</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	758,935	13	1,146,787	19	591,130	6	1,946,751	17
INCOME TAX EXPENSE (Notes 4 and 21)	<u>250,046</u>	<u>4</u>	<u>384,084</u>	<u>7</u>	<u>273,157</u>	<u>3</u>	<u>620,318</u>	<u>5</u>
NET PROFIT FOR THE PERIOD	<u>508,889</u>	<u>9</u>	<u>762,703</u>	<u>12</u>	<u>317,973</u>	<u>3</u>	<u>1,326,433</u>	<u>12</u>

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	\$ 273,464	5	\$ (104,247)	(2)	\$ (16,581)	-	\$ 279,174	3
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(48,679)	(1)	31,886	1	(93,733)	(1)	60,556	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>9,579</u>	<u>-</u>	<u>(6,866)</u>	<u>-</u>	<u>18,559</u>	<u>-</u>	<u>(11,652)</u>	<u>-</u>
	<u>(39,100)</u>	<u>(1)</u>	<u>25,020</u>	<u>1</u>	<u>(75,174)</u>	<u>(1)</u>	<u>48,904</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>234,364</u>	<u>4</u>	<u>(79,227)</u>	<u>(1)</u>	<u>(91,755)</u>	<u>(1)</u>	<u>328,078</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 743,253</u>	<u>13</u>	<u>\$ 683,476</u>	<u>11</u>	<u>\$ 226,218</u>	<u>2</u>	<u>\$ 1,654,511</u>	<u>15</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 567,001	10	\$ 818,211	13	\$ 435,752	4	\$ 1,437,851	13
Non-controlling interests	<u>(58,112)</u>	<u>(1)</u>	<u>(55,508)</u>	<u>(1)</u>	<u>(117,779)</u>	<u>(1)</u>	<u>(111,418)</u>	<u>(1)</u>
	<u>\$ 508,889</u>	<u>9</u>	<u>\$ 762,703</u>	<u>12</u>	<u>\$ 317,973</u>	<u>3</u>	<u>\$ 1,326,433</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 802,052	14	\$ 741,575	12	\$ 344,762	4	\$ 1,763,586	16
Non-controlling interests	<u>(58,799)</u>	<u>(1)</u>	<u>(58,099)</u>	<u>(1)</u>	<u>(118,544)</u>	<u>(2)</u>	<u>(109,075)</u>	<u>(1)</u>
	<u>\$ 743,253</u>	<u>13</u>	<u>\$ 683,476</u>	<u>11</u>	<u>\$ 226,218</u>	<u>2</u>	<u>\$ 1,654,511</u>	<u>15</u>
EARNINGS PER SHARE (Note 22)								
Basic	<u>\$ 1.83</u>		<u>\$ 2.64</u>		<u>\$ 1.41</u>		<u>\$ 4.64</u>	
Diluted	<u>\$ 1.83</u>		<u>\$ 2.64</u>		<u>\$ 1.41</u>		<u>\$ 4.62</u>	

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

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

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Note 19)						Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
	Ordinary Shares	Share Dividends to be Distributed	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive			
				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
Appropriation of 2018 earnings											
Legal reserve	-	-	-	539,226	-	(539,226)	-	-	-	-	-
Special reserve	-	-	-	-	(250,940)	250,940	-	-	-	-	-
Cash dividends - NT\$7.0 per share	-	-	-	-	-	(2,103,934)	-	-	(2,103,934)	-	(2,103,934)
Share dividends - NT\$0.3 per share	-	90,169	-	-	-	(90,169)	-	-	-	-	-
	-	90,169	-	539,226	(250,940)	(2,482,389)	-	-	(2,103,934)	-	(2,103,934)
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(63,413)	-	-	(63,413)	63,413	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(81,260)	(81,260)
Net profit (loss) for the six months ended June 30, 2019	-	-	-	-	-	1,437,851	-	-	1,437,851	(111,418)	1,326,433
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	46,561	279,174	325,735	2,343	328,078
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	1,437,851	46,561	279,174	1,763,586	(109,075)	1,654,511
BALANCE AT JUNE 30, 2019	\$ 3,005,620	\$ 90,169	\$ 3,236,274	\$ 2,706,052	\$ -	\$ 14,037,708	\$ (228,633)	\$ 929,508	\$ 23,776,698	\$ 131,019	\$ 23,907,717
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
Appropriation of 2019 earnings											
Legal reserve	-	-	-	186,532	-	(186,532)	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	-	(557,242)	-	-	(557,242)	-	(557,242)
Share dividends - NT\$0.3 per share	-	92,874	-	-	-	(92,874)	-	-	-	-	-
	-	92,874	-	186,532	-	(836,648)	-	-	(557,242)	-	(557,242)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	70,964	70,964
Net profit (loss) for the six months ended June 30, 2020	-	-	-	-	-	435,752	-	-	435,752	(117,779)	317,973
Other comprehensive loss for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	(74,409)	(16,581)	(90,990)	(765)	(91,755)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	435,752	(74,409)	(16,581)	344,762	(118,544)	226,218
BALANCE AT JUNE 30, 2020	\$ 3,095,789	\$ 92,874	\$ 3,320,372	\$ 2,892,584	\$ -	\$ 14,009,407	\$ (484,043)	\$ 687,888	\$ 23,614,871	\$ (115,938)	\$ 23,498,933

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 591,130	\$ 1,946,751
Adjustments for:		
Depreciation expenses	1,148,347	1,076,399
Amortization expenses	30,706	29,016
Expected credit loss recognized (reversed) on trade receivables	(2,389)	11,274
Net profit on fair value change of financial assets and liabilities at fair value through profit or loss	(3,810)	(89)
Finance costs	116,008	84,732
Interest income	(7,997)	(6,658)
Dividend income	(35,115)	(53,319)
Share of profit of associates accounted for using the equity method	(11,076)	(9,172)
Loss (gain) on disposal of property, plant and equipment	(4,802)	3,469
Inventory write-downs recognized	136,663	36,753
Unrealized foreign currency exchange loss (gain), net	15,025	(36,857)
Gain from bargain purchase	(48,159)	-
Others	(3,826)	(7)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,555	(5,493)
Notes receivable	(250,022)	436,685
Trade receivables	(367,916)	(36,608)
Inventories	674,627	666,740
Other current assets	(88,402)	65,648
Contract liabilities	14,494	(4,362)
Notes payable	(7,664)	(8,801)
Trade payables	329,852	(3,067,869)
Other payables	(232,769)	(741,778)
Other current liabilities	554	8,668
Net defined benefit liabilities	(44,773)	(6,472)
Cash generated from operations	1,951,241	388,650
Interest received	5,304	7,808
Dividends received	35,115	53,319
Interest paid	(120,368)	(85,921)
Income taxes paid	(192,656)	(784,952)
Net cash generated from (used in) operating activities	<u>1,678,636</u>	<u>(421,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(36,000)
Purchase of financial assets at amortized cost	-	(2,922)
Proceeds from disposal of financial assets at amortized cost	-	2,803
Net cash inflow on acquisition of subsidiaries (Note 23)	12,648	-

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
Payments for property, plant and equipment	\$ (562,958)	\$ (1,886,691)
Proceeds from disposal of property, plant and equipment	12,100	2,436
Decrease (increase) in refundable deposits	629	(1,283)
Decrease (increase) in other financial assets	2,587	(1,832)
Increase in other non-current assets	(35,316)	(18,332)
Increase in prepayments for machinery and equipment	<u>(360,207)</u>	<u>(893,334)</u>
Net cash used in investing activities	<u>(930,517)</u>	<u>(2,835,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	133,770	2,967,544
Proceeds from long-term borrowings	283,952	826,460
Repayments of long-term borrowings	(726,004)	(973,055)
Repayment of the principal portion of lease liabilities	(90,356)	(85,803)
Increase in other non-current liabilities	11,217	997
Acquisition of additional shares of subsidiary	-	(81,260)
Changes in non-controlling interests	<u>104,516</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(282,905)</u>	<u>2,654,883</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(17,879)</u>	<u>19,206</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	447,335	(582,162)
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>\$ 2,456,080</u>	<u>\$ 2,205,070</u>

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

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 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.

On April 16, 1997, the Corporation obtained approval from the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) for its supplemental public issuance of shares, which have subsequently been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on August 5, 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 any 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 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
	(Concluded)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the 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 consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

d. Other significant accounting policies

Except for the following, 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 Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical accounting judgments and key sources of estimation uncertainty of these interim consolidated financial statements are the same as those applicable to the preparation of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 2,858	\$ 2,262	\$ 2,129
Checking accounts and demand deposits	2,318,790	1,654,407	1,630,876
Pledged time deposits	2,713	5,300	3,832
Cash equivalents			
Time deposits (investments with original maturities within 3 months)	<u>134,432</u>	<u>352,076</u>	<u>572,065</u>
	2,458,793	2,014,045	2,208,902
Less: Pledged time deposits (classified as other current assets)	<u>(2,713)</u>	<u>(5,300)</u>	<u>(3,832)</u>
	<u>\$ 2,456,080</u>	<u>\$ 2,008,745</u>	<u>\$ 2,205,070</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 within 3 months)	0.05-2.10	0.05-2.60	0.05-2.55
Pledged time deposits	0.35-0.82	0.81-1.07	0.60-1.07

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets and liabilities mandatorily designated as at fair value through profit or loss are all generated from derivative financial products of foreign exchange forward contracts. 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>June 30, 2020</u>			
Sell	EUR/NTD	2020.7.20-2020.10.22	EUR5,800/NTD191,914
Sell	CNY/NTD	2020.7.3-2020.10.27	CNY255,600/NTD1,064,866
Sell	USD/NTD	2020.7.6-2020.9.8	USD2,100/NTD62,898
 <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>June 30, 2019</u>			
Sell	EUR/NTD	2019.7.28-2019.10.30	EUR4,100/NTD144,616
Sell	USD/NTD	2019.7.15-2019.9.3	USD1,400/NTD43,919
Sell	CNY/NTD	2019.7.4-2019.10.15	CNY230,800/NTD1,037,780

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in equity instruments at FVTOCI			
<u>Domestic listed ordinary shares</u>			
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 769,697	\$ 787,509	\$ 1,052,006
<u>Domestic unlisted ordinary shares</u>			
Ever Fortune. AI Co., Ltd. (Ever Fortune)	27,045	28,010	28,913
Taichung International Country Club	2,520	2,500	2,550
Sunengine Corporation Ltd. (Sunengine)	-	-	-
King Kong Iron Work Ltd.	-	-	-
<u>Overseas unlisted ordinary shares</u>			
Kaland Holdings Corp. (Kaland)	165,194	205,055	162,545
Hiwin (Schweiz) GmbH (Note 11)	-	3,320	3,320
	<u>\$ 964,456</u>	<u>\$ 1,026,394</u>	<u>\$ 1,249,334</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Corporation's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). Investments amounting to USD8,168 thousand was made through investments in Kaland and Cheer Tone Group Limited in the British Virgin Islands (BVI). YIFU Finance is mainly engaged 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 the ordinary shares of Ever Fortune in the amount of \$36,000 thousand, which were designated as at FVTOCI since these were invested for medium to long-term strategic purposes.

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 643,378	\$ 405,233	\$ 610,408
Less: Allowance for impairment loss	<u>(493)</u>	<u>(597)</u>	<u>(1,049)</u>
	<u>\$ 642,885</u>	<u>\$ 404,636</u>	<u>\$ 609,359</u>

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 4,785,858	\$ 4,432,320	\$ 5,129,365
Less: Allowance for impairment loss	<u>(24,932)</u>	<u>(27,507)</u>	<u>(30,203)</u>
	<u>\$ 4,760,926</u>	<u>\$ 4,404,813</u>	<u>\$ 5,099,162</u>

a. Notes receivable

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

	June 30, 2020	December 31, 2019	June 30, 2019
Not past due	\$ 643,378	\$ 405,233	\$ 610,408
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 643,378</u>	<u>\$ 405,233</u>	<u>\$ 610,408</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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to 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>June 30, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,226,667	\$ 523,001	\$ 22,237	\$ 13,953	\$ 4,785,858
Loss allowance (Lifetime ECLs)	<u>(6,203)</u>	<u>(2,208)</u>	<u>(4,505)</u>	<u>(12,016)</u>	<u>(24,932)</u>
Amortized cost	<u>\$ 4,220,464</u>	<u>\$ 520,793</u>	<u>\$ 17,732</u>	<u>\$ 1,937</u>	<u>\$ 4,760,926</u>
<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 ECLs)	<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>June 30, 2019</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,598,450	\$ 498,015	\$ 11,520	\$ 21,380	\$ 5,129,365
Loss allowance (Lifetime ECLs)	<u>(5,360)</u>	<u>(3,850)</u>	<u>(3,128)</u>	<u>(17,865)</u>	<u>(30,203)</u>
Amortized cost	<u>\$ 4,593,090</u>	<u>\$ 494,165</u>	<u>\$ 8,392</u>	<u>\$ 3,515</u>	<u>\$ 5,099,162</u>

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

	<u>For the Six Months Ended June 30, 2020</u>		
	<u>Notes Receivable</u>	<u>Trade Receivables</u>	<u>Other Receivables</u>
Balance at January 1, 2020	\$ 597	\$ 27,507	\$ 13,697
Net remeasurement of loss allowance	(104)	(2,285)	-
Foreign exchange gains and losses	<u>-</u>	<u>(290)</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ 493</u>	<u>\$ 24,932</u>	<u>\$ 13,697</u>
	<u>For the Six Months Ended June 30, 2019</u>		
	<u>Notes Receivable</u>	<u>Trade Receivables</u>	<u>Other Receivables</u>
Balance at January 1, 2019	\$ 2,022	\$ 18,285	\$ 13,697
Net remeasurement of loss allowance	(973)	12,247	-
Amounts written off	-	(178)	-
Foreign exchange gains and losses	<u>-</u>	<u>(151)</u>	<u>-</u>
Balance at June 30, 2019	<u>\$ 1,049</u>	<u>\$ 30,203</u>	<u>\$ 13,697</u>

10. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Merchandise	\$ 2,196	\$ 3,432	\$ 3,506
Finished goods	2,396,541	2,275,276	2,765,826
Work in process	1,560,971	1,546,353	1,614,533
Raw materials and supplies	2,783,504	3,459,706	3,669,004
Inventory in transit	<u>245,663</u>	<u>268,177</u>	<u>310,527</u>
	<u>\$ 6,988,875</u>	<u>\$ 7,552,944</u>	<u>\$ 8,363,396</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were \$4,060,143 thousand, \$3,891,024 thousand, \$6,782,910 thousand and \$7,081,452 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 included inventory write-downs of (reversal of inventory write-downs) of \$49,775 thousand, \$(10,353) thousand, \$136,663 thousand and \$36,753 thousand, and unallocated fixed overhead of \$81,424 thousand, \$79,843 thousand, \$155,524 thousand and \$166,127 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	Percentage of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 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

(Continued)

Investor	Investee	Main Business	Percentage of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
The Corporation	Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) (“Matrix Precision”) (Note 24)	Research, development, production, manufacture and sale of gear cutting tools and machinery	51	71	71
	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 Machine Tool (Coventry) Limited (“Matrix”)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100	52
Hiwin Germany	Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	50	-	-
	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19	19
Matrix Precision	Luren Precision Machinery (Shanghai) Co., Ltd. (“Luren Shanghai”)	Sale of gear cutting tools and machinery	100	100	100
	Suzhou Matrix Precision Machinery Co., Ltd. (“Suzhou Matrix”)	Sale of gear cutting tools and machinery	100	100	-

(Concluded)

Except for the financial statements of Hiwin China and Eterbright for the six months ended June 30, 2020 and 2019 which were reviewed by the independent auditors, the remaining subsidiaries are immaterial subsidiaries; their financial statements have not been reviewed.

The Corporation acquired 50% of the shares of Hiwin Schweiz for \$66,300 thousand in April 2020, together with Hiwin Germany’s 19% shareholding proportion of Hiwin Schweiz, the Group’s total ownership of Hiwin Schweiz reached 69%, and Hiwin Schweiz became a subsidiary of the Group.

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

In July 2019, Matrix Precision invested CNY2,000 thousand 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		
	June 30, 2020	December 31, 2019	June 30, 2019
Eterbright	26%	26%	26%
Matrix Precision	49%	29%	29%
Hiwin Schweiz	31%	-	-
Matrix	-	-	48%

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

**Income (Loss) and Comprehensive Income (Loss) Allocated to
Non-controlling Interests**

Name of Subsidiary	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Eterbright	\$ (28,631)	\$ (35,471)	\$ (62,862)	\$ (71,845)
Matrix Precision	(30,569)	(12,777)	(56,083)	(26,947)
Hiwin Schweiz	401	-	401	-
Matrix	-	(9,851)	-	(10,283)
	<u>\$ (58,799)</u>	<u>\$ (58,099)</u>	<u>\$ (118,544)</u>	<u>\$ (109,075)</u>

Accumulated Non-controlling Interests

Name of Subsidiary	June 30,	December 31,	June 30,
	2020	2019	2019
Eterbright	\$ (144,845)	\$ (81,983)	\$ (9,992)
Matrix Precision	(42,458)	(6,793)	17,650
Hiwin Schweiz	71,365	-	-
Matrix	-	-	123,361
	<u>\$ (115,938)</u>	<u>\$ (88,776)</u>	<u>\$ 131,019</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 241,090	\$ 259,983	\$ 312,505
Non-current assets	1,129,676	1,202,962	1,286,228
Current liabilities	(1,809,922)	(1,626,893)	(1,436,667)
Non-current liabilities	<u>(121,606)</u>	<u>(153,445)</u>	<u>(200,751)</u>
Equity	<u>\$ (560,762)</u>	<u>\$ (317,393)</u>	<u>\$ (38,685)</u>
Equity attributable to:			
Owners of Eterbright	\$ (415,917)	\$ (235,410)	\$ (28,693)
Non-controlling interests of Eterbright	<u>(144,845)</u>	<u>(81,983)</u>	<u>(9,992)</u>
	<u>\$ (560,762)</u>	<u>\$ (317,393)</u>	<u>\$ (38,685)</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue	\$ 4,614	\$ 18,386	\$ 14,042	\$ 78,716
Net loss for the period	\$ (110,844)	\$ (137,324)	\$ (243,369)	\$ (278,145)
Other comprehensive income (loss) for the period	-	-	-	-
Total comprehensive loss for the period	\$ (110,844)	\$ (137,324)	\$ (243,369)	\$ (278,145)
Loss and total comprehensive loss attributable to:				
Owners of Eterbright	\$ (82,213)	\$ (101,853)	\$ (180,507)	\$ (206,300)
Non-controlling interests of Eterbright	(28,631)	(35,471)	(62,862)	(71,845)
	\$ (110,844)	\$ (137,324)	\$ (243,369)	\$ (278,145)
Net cash inflow (outflow) from:				
Operating activities			\$ (172,185)	\$ (248,882)
Investing activities			(37,583)	(31,553)
Financing activities			199,834	255,351
Net cash outflow			\$ (9,934)	\$ (25,084)

Matrix Precision and Matrix Precision's subsidiaries

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 567,312	\$ 610,890	\$ 712,439
Non-current assets	1,382,865	1,391,702	1,412,689
Current liabilities	(1,045,009)	(1,060,204)	(1,675,366)
Non-current liabilities	(984,549)	(996,268)	(380,546)
Equity	\$ (79,381)	\$ (53,880)	\$ 69,216
Equity attributable to:			
Owners of Matrix Precision	\$ (40,524)	\$ (49,332)	\$ 49,226
Non-controlling interests of Matrix Precision	(38,857)	(4,548)	19,990
	\$ (79,381)	\$ (53,880)	\$ 69,216

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue	<u>\$ 42,097</u>	<u>\$ 55,836</u>	<u>\$ 94,026</u>	<u>\$ 166,660</u>
Net loss for the period	\$ (62,474)	\$ (45,388)	\$ (129,675)	\$ (87,048)
Other comprehensive income (loss) for the period	<u>(188)</u>	<u>205</u>	<u>(341)</u>	<u>(111)</u>
Total comprehensive loss for the period	<u>\$ (62,662)</u>	<u>\$ (45,183)</u>	<u>\$ (130,016)</u>	<u>\$ (87,159)</u>
Loss attributable to:				
Owners of Matrix Precision	\$ (31,894)	\$ (32,010)	\$ (73,585)	\$ (58,971)
Non-controlling interests of Matrix Precision	<u>(30,580)</u>	<u>(13,378)</u>	<u>(56,090)</u>	<u>(28,077)</u>
	<u>\$ (62,474)</u>	<u>\$ (45,388)</u>	<u>\$ (129,675)</u>	<u>\$ (87,048)</u>
Total comprehensive loss attributable to:				
Owners of Matrix Precision	\$ (31,989)	\$ (31,864)	\$ (73,756)	\$ (59,021)
Non-controlling interests of Matrix Precision	<u>(30,673)</u>	<u>(13,319)</u>	<u>(56,260)</u>	<u>(28,138)</u>
	<u>\$ (62,662)</u>	<u>\$ (45,183)</u>	<u>\$ (130,016)</u>	<u>\$ (87,159)</u>
Net cash inflow (outflow) from:				
Operating activities			\$ (60,192)	\$ (124,065)
Investing activities			1,720	(223,993)
Financing activities			<u>75,105</u>	<u>403,251</u>
Net cash inflow			<u>\$ 16,633</u>	<u>\$ 55,193</u>

Hiwin Schweiz

	June 30, 2020
Current assets	\$ 276,182
Non-current assets	40,441
Current liabilities	(53,444)
Non-current liabilities	<u>(32,968)</u>
Equity	<u>\$ 230,211</u>
Equity attributable to:	
Owners of Hiwin Schweiz	\$ 158,846
Non-controlling interests of Hiwin Schweiz	<u>71,365</u>
	<u>\$ 230,211</u>

	For the Three Months Ended June 30, 2020
Revenue	\$ <u>62,236</u>
Net income for the period	\$ 3,212
Other comprehensive income (loss) for the period	<u>(1,919)</u>
Total comprehensive income for the period	<u>\$ 1,293</u>
Income and total comprehensive income attributable to:	
Owners of Hiwin Schweiz	\$ 892
Non-controlling interests of Hiwin Schweiz	<u>401</u>
	<u>\$ 1,293</u>
Net cash inflow (outflow) from:	
Operating activities	\$ 9,578
Investing activities	248
Financing activities	<u>(1,518)</u>
Net cash inflow	<u>\$ 8,308</u>
<u>Matrix</u>	
	June 30, 2019
Current assets	\$ 267,044
Non-current assets	195,003
Current liabilities	(40,026)
Non-current liabilities	<u>(123,512)</u>
Equity	<u>\$ 298,509</u>
Equity attributable to:	
Owners of Matrix	\$ 154,091
Non-controlling interests of Matrix	<u>144,418</u>
	<u>\$ 298,509</u>

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Revenue	\$ <u>44,884</u>	\$ <u>85,486</u>
Net loss for the period	\$ (743)	\$ (11,884)
Other comprehensive income (loss) for the period	<u>(5,476)</u>	<u>4,221</u>
Total comprehensive loss for the period	<u>\$ (6,219)</u>	<u>\$ (7,663)</u>
Loss attributable to:		
Owners of Matrix	\$ (383)	\$ (6,134)
Non-controlling interests of Matrix	<u>(360)</u>	<u>(5,750)</u>
	<u>\$ (743)</u>	<u>\$ (11,884)</u>
Total comprehensive loss attributable to:		
Owners of Matrix	\$ (3,211)	\$ (4,319)
Non-controlling interests of Matrix	<u>(3,008)</u>	<u>(3,344)</u>
	<u>\$ (6,219)</u>	<u>\$ (7,663)</u>
Net cash outflow from:		
Operating activities		\$ (34,764)
Investing activities		(16,553)
Financing activities		<u>(2,164)</u>
Net cash outflow		<u>\$ (53,481)</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2020	December 31, 2019	June 30, 2019	
Associates that are not individually material	\$ <u>200,702</u>	\$ <u>192,144</u>	\$ <u>194,847</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
The Group's share of:				
Profit for the period	\$ 4,208	\$ 7,125	\$ 11,076	\$ 9,172
Other comprehensive income (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 4,208</u>	<u>\$ 7,125</u>	<u>\$ 11,076</u>	<u>\$ 9,172</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 of accounting or the calculation of the share of profit or loss and other comprehensive income (loss) from the financial statements that have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

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

For the Six Months Ended June 30, 2019								
	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>								
Land	\$ 3,990,126	\$ -	\$ 3,990,126	\$ 641,027	\$ -	\$ -	\$ 17,471	\$ 4,648,624
Buildings and improvements	9,997,986	-	9,997,986	87,956	(3,204)	2,212,513	20,938	12,316,189
Machinery and equipment	14,678,814	-	14,678,814	368,935	(371,394)	665,378	6,114	15,347,847
Transportation equipment	194,485	-	194,485	22,098	(7,158)	1,432	313	211,170
Leased assets	6,802	(6,802)	-	-	-	-	-	-
Leasehold improvements	110,441	-	110,441	3,986	-	4,475	580	119,482
Miscellaneous equipment	2,345,440	-	2,345,440	105,341	(15,132)	85,583	2,648	2,523,880
Construction in progress	3,610,609	-	3,610,609	496,200	-	(2,212,548)	(47)	1,894,214
Prepayments for land	23,112	-	23,112	757,230	-	-	-	780,342
	<u>\$ 34,957,815</u>	<u>\$ (6,802)</u>	<u>\$ 34,951,013</u>	<u>\$ 2,482,773</u>	<u>\$ (396,888)</u>	<u>\$ 756,833</u>	<u>\$ 48,017</u>	<u>\$ 37,841,748</u>
<u>Accumulated depreciation and impairment</u>								
Buildings and improvements	1,525,719	\$ -	\$ 1,525,719	\$ 141,513	\$ (3,204)	\$ -	\$ 1,639	1,665,667
Machinery and equipment	6,598,831	-	6,598,831	802,480	(367,094)	-	2,705	7,036,922
Transportation equipment	96,771	-	96,771	15,877	(6,907)	-	209	105,950
Leased assets	6,149	(6,149)	-	-	-	-	-	-
Leasehold improvements	93,780	-	93,780	3,011	-	3,822	568	101,181
Miscellaneous equipment	<u>1,409,670</u>	<u>-</u>	<u>1,409,670</u>	<u>119,860</u>	<u>(13,778)</u>	<u>-</u>	<u>1,804</u>	<u>1,517,556</u>
	<u>\$ 9,730,920</u>	<u>\$ (6,149)</u>	<u>\$ 9,724,771</u>	<u>\$ 1,082,741</u>	<u>\$ (390,983)</u>	<u>\$ 3,822</u>	<u>\$ 6,925</u>	<u>\$ 10,427,276</u>
	<u>\$ 25,226,895</u>							<u>\$ 27,414,472</u>

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

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 29.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019	
<u>Carrying amounts</u>				
Land	\$ 333,936	\$ 345,596	\$ 363,694	
Buildings	414,483	423,772	467,582	
Transportation equipment	22,987	21,829	20,666	
Miscellaneous equipment	<u>941</u>	<u>1,293</u>	<u>1,494</u>	
	<u>\$ 772,347</u>	<u>\$ 792,490</u>	<u>\$ 853,436</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets	<u>\$ 3,411</u>	<u>\$ 16,297</u>	<u>\$ 7,237</u>	<u>\$ 19,608</u>
Acquisitions through business combination (Note 23)	<u>\$ 32,540</u>	<u>\$ -</u>	<u>\$ 32,540</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets				
Land	\$ 5,083	\$ 5,140	\$ 10,185	\$ 10,297
Buildings	41,004	37,382	80,413	73,859
Transportation equipment	2,078	2,032	4,096	4,085
Miscellaneous equipment	<u>169</u>	<u>163</u>	<u>336</u>	<u>324</u>
	<u>\$ 48,334</u>	<u>\$ 44,717</u>	<u>\$ 95,030</u>	<u>\$ 88,565</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have any significant sublease or impairment of right-of-use assets during the six months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 164,743</u>	<u>\$ 157,851</u>	<u>\$ 153,086</u>
Non-current	<u>\$ 460,421</u>	<u>\$ 482,527</u>	<u>\$ 534,418</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 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 equipment and other equipment for the use of product manufacturing and marketing with lease terms of 1 to 7 years. These lease arrangements do not contain renewal or purchase options.

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

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 2,704</u>	<u>\$ 6,730</u>	<u>\$ 4,587</u>	<u>\$ 13,681</u>
Expenses relating to low-value asset leases	<u>\$ 616</u>	<u>\$ 732</u>	<u>\$ 1,204</u>	<u>\$ 1,237</u>
Total cash outflow for leases	<u>\$ (52,393)</u>	<u>\$ (51,000)</u>	<u>\$ (101,584)</u>	<u>\$ (106,565)</u>

The Group leases certain equipment under leases which qualify as short-term leases and certain equipment under leases which qualify 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	June 30, 2020	December 31, 2019	June 30, 2019
Within 1 year	\$ 532,072	\$ 699,983	\$ 1,239,358
1-2 years	631,050	1,111,265	1,550,341
2-5 years	874,159	474,946	299,690
More than 5 years	<u>10,380</u>	<u>6,918</u>	<u>17,262</u>
	<u>\$ 2,047,661</u>	<u>\$ 2,293,112</u>	<u>\$ 3,106,651</u>

In order to master key manufacturing technologies, reduce product costs and improve automation of the equipment, the Corporation designed, developed, and assembled the equipment by themselves. The

above-mentioned prepayments for machinery and equipment include both internally-developed and outsourced equipment.

16. BORROWINGS

a. Short-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Secured borrowings</u> (Note 29)			
Working capital loans	\$ 3,433,656	\$ 3,226,538	\$ 3,197,824
Loans for export sales	1,008,000	1,000,000	800,000
Loans for purchasing raw material	17,399	25,269	53,889
Letters of credit	<u>1,522</u>	<u>2,622</u>	<u>18,843</u>
	<u>4,460,577</u>	<u>4,254,429</u>	<u>4,070,556</u>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>5,420,000</u>	<u>5,507,988</u>	<u>5,108,636</u>
	<u>\$ 9,880,577</u>	<u>\$ 9,762,417</u>	<u>\$ 9,179,192</u>
<u>Rate of interest per annum (%)</u>			
Working capital loans	0.26-3.63	0.24-3.65	0.28-3.65
Loans for export sales	0.81-1.33	0.81	0.81
Loans for purchasing raw material	1.55-1.65	1.37-1.90	1.50-1.88
Letters of credit	1.22	1.15	0.85-1.22
Line of credit borrowings	0.80-0.93	0.82-3.65	0.82-3.65

b. Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Secured borrowings</u> (Note 29)			
Secured loans	\$ 8,319,382	\$ 8,981,491	\$ 7,563,207
<u>Unsecured borrowings</u>			
Unsecured loans	<u>562,457</u>	<u>371,052</u>	<u>111,250</u>
	8,881,839	9,352,543	7,674,457
Less: Current portion	<u>(1,268,906)</u>	<u>(1,519,285)</u>	<u>(1,639,994)</u>
Long-term borrowings	<u>\$ 7,612,933</u>	<u>\$ 7,833,258</u>	<u>\$ 6,034,463</u>
<u>Rate of interest rates per annum (%)</u>			
Secured loans	0.36-4.90	1.03-4.90	1.03-4.90
Unsecured loans	0.70-4.90	1.05-4.90	0.99-2.15

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the long term borrowing grant. As of June 30, 2020, \$23,500 thousand was drawn down for the purchase of machinery and equipment. The Corporation recognized \$505 thousand, which is the difference between the loan amount obtained at a lower than market interest rate and the fair value, as a government grant, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

17. OTHER PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Payables for salaries and bonuses	\$ 411,199	\$ 597,117	\$ 507,208
Payables for compensation to employees	183,846	152,322	646,675
Payables for annual leave	142,419	124,915	178,822
Payables for purchase of equipment	108,654	200,671	659,932
Payables for remuneration of directors	14,965	74,652	293,597
Others	<u>378,563</u>	<u>391,747</u>	<u>461,524</u>
	<u>\$ 1,239,646</u>	<u>\$ 1,541,424</u>	<u>\$ 2,747,758</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 June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were \$1,078 thousand, \$1,672 thousand, \$2,156 thousand, and \$3,343 thousand, respectively.

19. EQUITY

a. Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>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

	June 30, 2020	December 31, 2019	June 30, 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	-	-
Invalid employee shares	<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 Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals.

c. Retained earnings and dividends policy

The shareholders held their regular meeting on June 28, 2019 and in that meeting, resolved the amendments to the Articles of Incorporation of the Corporation. Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Corporation's profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Corporation's total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to 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.

The appropriations of cash dividends per share for 2019 which have been approved by the board of directors on May 5, 2020; and the appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings on June 19, 2020, and June 28, 2019, respectively, were as follows:

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

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 52,397	\$ 43,392	\$ 110,571	\$ 78,888
Interest on lease liabilities	<u>2,723</u>	<u>2,906</u>	<u>5,437</u>	<u>5,844</u>
	<u>\$ 55,120</u>	<u>\$ 46,298</u>	<u>\$ 116,008</u>	<u>\$ 84,732</u>

Information about capitalized interest is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Capitalized interest	\$ 5,961	\$ 11,774	\$ 12,600	\$ 27,200
Capitalization rates (%)	1.08-4.90	1.33-1.90	1.08-4.90	1.32-1.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Three Months Ended June 30, 2020</u>			
Short-term employee benefits	\$ 765,627	\$ 490,316	\$ 1,255,943
Post-employment benefits			
Defined contribution plans	21,628	16,669	38,297
Defined benefit plans (Note 18)	867	211	1,078
Other employee benefits	32,750	13,210	45,960
Depreciation expenses	478,943	95,852	574,795
Amortization expenses	7,895	6,926	14,821

	Operating Costs	Operating Expenses	Total
<u>For the Three Months Ended June 30, 2019</u>			
Short-term employee benefits	\$ 703,003	\$ 495,220	\$ 1,198,223
Post-employment benefits			
Defined contribution plans	32,434	26,078	58,512
Defined benefit plans (Note 18)	1,384	288	1,672
Other employee benefits	51,425	17,144	68,569
Depreciation expenses	462,628	89,087	551,715
Amortization expenses	7,005	7,940	14,945
<u>For the Six Months Ended June 30, 2020</u>			
Short-term employee benefits	1,453,591	997,875	2,451,466
Post-employment benefits			
Defined contribution plans	43,785	32,678	76,463
Defined benefit plans (Note 18)	1,704	452	2,156
Other employee benefits	65,171	23,160	88,331
Depreciation expenses	960,223	188,124	1,148,347
Amortization expenses	16,355	14,351	30,706
<u>For the Six Months Ended June 30, 2019</u>			
Short-term employee benefits	1,458,752	1,029,491	2,488,243
Post-employment benefits			
Defined contribution plans	66,843	51,259	118,102
Defined benefit plans (Note 18)	2,786	557	3,343
Other employee benefits	101,391	28,892	130,283
Depreciation expenses	897,199	179,200	1,076,399
Amortization expenses	13,488	15,528	29,016

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 the remuneration of directors and supervisors. For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the employees' compensation and the remuneration of directors were as follows:

Accrual rate	For the Six Months Ended June 30			
	2020	2019		
Employees' compensation	<u>4.4%</u>	<u>5.6%</u>		
Remuneration of directors	<u>2.2%</u>	<u>2.8%</u>		
Amount	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 29,930</u>	<u>\$ 53,857</u>	<u>\$ 29,930</u>	<u>\$ 120,390</u>
Remuneration of directors	<u>\$ 14,965</u>	<u>\$ 26,928</u>	<u>\$ 14,965</u>	<u>\$ 60,195</u>

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 106,654	\$ 216,264	\$ 118,703	\$ 399,962
Income tax on unappropriated earnings	66,690	145,476	66,690	145,476
Adjustments for prior periods	18,264	7,504	20,010	5,110
Deferred tax				
In respect of the current period	<u>58,438</u>	<u>14,840</u>	<u>67,754</u>	<u>69,770</u>
Income tax expense recognized in profit or loss	<u>\$ 250,046</u>	<u>\$ 384,084</u>	<u>\$ 273,157</u>	<u>\$ 620,318</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.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Group used the losses incurred in the first quarter of 2020 as a result of the COVID-19 pandemic to estimate the losses for the first six months of 2020, and this amount is deducted from the Group's unappropriated earnings for 2018.

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of the current period				
Translation of foreign operations	\$ (9,579)	\$ 6,866	\$ (18,559)	\$ 11,652

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 PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)	Pro Forma Earnings Per Share Retrospectively Adjusted (NT\$)
<u>For the Three Months Ended June 30, 2020</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 567,001	309,579	<u>\$ 1.83</u>	<u>\$ 1.78</u>
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>-</u>	<u>102</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 567,001</u>	<u>309,681</u>	<u>\$ 1.83</u>	<u>\$ 1.78</u>
<u>For the Three Months Ended June 30, 2019</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 818,211	309,579	<u>\$ 2.64</u>	<u>\$ 2.57</u>
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>-</u>	<u>463</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 818,211</u>	<u>310,042</u>	<u>\$ 2.64</u>	<u>\$ 2.56</u>

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)	Pro Forma Earnings Per Share Retrospectively Adjusted (NT\$)
<u>For the Six Months Ended June 30, 2020</u>				
Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 435,752	309,579	<u>\$ 1.41</u>	<u>\$ 1.37</u>
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>-</u>	<u>460</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 435,752</u>	<u>310,039</u>	<u>\$ 1.41</u>	<u>\$ 1.36</u>

For the Six Months Ended June 30, 2019

Basic earnings per share				
Profit for the period attributable to owners of the Corporation	\$ 1,437,851	309,579	<u>\$ 4.64</u>	<u>\$ 4.51</u>
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>-</u>	<u>1,332</u>		
Diluted earnings per share				
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,437,851</u>	<u>310,911</u>	<u>\$ 4.62</u>	<u>\$ 4.49</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the issuance of bonus shares on August 13, 2019. The basic and diluted earnings per share adjusted retrospectively for the three months and six months ended June 30, 2019 are as follows:

Unit: NT\$ Per Share

	<u>Before Retrospective Adjustment</u>		<u>After Retrospective Adjustment</u>	
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Basic earnings per share	\$ <u>2.72</u>	\$ <u>4.78</u>	\$ <u>2.64</u>	\$ <u>4.64</u>
Diluted earnings per share	\$ <u>2.72</u>	\$ <u>4.76</u>	\$ <u>2.64</u>	\$ <u>4.62</u>

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

Pro forma earnings per share that were adjusted retrospectively to reflect the effects of changes in the number of shares resulted from the bonus issue on August 18, 2020 which occurred after these consolidated financial statements had been approved.

23. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

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

Current assets	
Cash	\$ 78,948
Trade receivables	30,464
Inventories	171,005
Other current assets	5,175
Non-current assets	
Property, plant and equipment	10,842
Right-of-use assets	32,540
Other non-current assets	157
Current liabilities	
Trade and other payables	(52,393)
Lease liabilities - current	(6,191)
Other current liabilities	(6,795)
Non-current liabilities	
Lease liabilities - non-current	(26,349)
Other non-current liabilities	<u>(8,486)</u>
	<u>\$ 228,917</u>

c. Gain from bargain purchase arising on acquisition

Consideration transferred	\$ 66,300
Less: Fair value of identifiable net assets acquired	<u>(114,459)</u>
Gain from bargain purchase arising on acquisition	<u>\$ (48,159)</u>

Gain from bargain purchase arose from the consideration paid for the acquisition which was less than the fair value of the identifiable net assets acquired.

d. Net cash inflow on acquisition of subsidiaries

Consideration paid in cash	\$ 66,300
Less: Cash balances acquired	<u>(78,948)</u>
	<u>\$ (12,648)</u>

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On February 29, 2020, the Corporation did not subscribe 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.

25. NON-CASH TRANSACTIONS

The Corporation's cash dividends approved in the board of directors and the shareholders' meetings were not yet distributed as of June 30, 2020 and 2019, respectively (refer to Note 19).

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 5,258	\$ 2,584	\$ 2,264
Financial assets at amortized cost (1)	7,964,784	6,920,057	8,026,411
Financial assets at FVTOCI			
Equity instruments	964,456	1,026,394	1,249,334
<u>Financial liabilities</u>			
FVTPL			
Mandatorily classified as at FVTPL	1,448	29	2,175
Financial liabilities at amortized cost (2)	23,141,434	22,938,768	24,276,846

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

The Group entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on the translation of sales and receivables from the export of precision components 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 the value and volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

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

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

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 in the NTD against the relevant foreign currency, the post-tax profit for the six months ended June 30, 2020 and 2019 would have decreased by \$49,688 thousand and \$47,944 thousand, respectively.

b) Interest rate risk

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
Deposits in bank	\$ 93,235	\$ 222,926	\$ 369,122
Lease liabilities	625,164	640,378	687,504
Short-term borrowings	1,490,000	2,020,000	-
Long-term borrowings	360,870	302,923	-
Cash flow interest rate risk			
Deposits in bank	2,262,640	1,720,881	1,789,307
Short-term borrowings	8,390,577	7,742,417	9,179,192
Long-term borrowings	8,520,969	9,049,620	7,674,457

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease 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 profit for the six months ended June 30, 2020 and 2019 would have decreased by \$58,596 thousand and \$60,257 thousand, respectively.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 77%, 70% and 75% of the total trade receivables as of June 30, 2020, December 31, 2019 and June 30, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the Group had available unutilized bank loan facilities of \$6,587,049 thousand, \$6,445,816 thousand and \$6,486,427 thousand, respectively.

The following tables detail 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.

	Within 1 Year	1-5 Years	5+ Years
<u>June 30, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 4,379,018	\$ -	\$ -
Lease liabilities	172,808	330,029	157,716
Fixed interest rate liabilities	1,543,099	209,204	98,567
Variable interest rate liabilities	<u>9,606,384</u>	<u>3,578,300</u>	<u>3,726,862</u>
	<u>\$ 15,701,309</u>	<u>\$ 4,117,533</u>	<u>\$ 3,983,145</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,448</u>	<u>\$ -</u>	<u>\$ -</u>

	Within 1 Year	1-5 Years	5+ Years
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 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>

June 30, 2019

Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 7,423,197	\$ -	\$ -
Lease liabilities	162,696	364,791	206,835
Variable interest rate liabilities	<u>10,819,186</u>	<u>3,610,859</u>	<u>2,423,604</u>
	<u>\$ 18,405,079</u>	<u>\$ 3,975,650</u>	<u>\$ 2,630,439</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,175</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>June 30, 2020</u>					
Lease liabilities	<u>\$ 172,808</u>	<u>\$ 330,029</u>	<u>\$ 91,373</u>	<u>\$ 52,732</u>	<u>\$ 13,611</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>
<u>June 30, 2019</u>					
Lease liabilities	<u>\$ 162,696</u>	<u>\$ 364,791</u>	<u>\$ 126,782</u>	<u>\$ 55,405</u>	<u>\$ 24,648</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

Related Party	Relationship with the Group
Hiwin S.R.O.	Associate
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Coventry Matrix Technologies Ltd.	Others (No longer a related party since July 1, 2019)
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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
1) Sales of goods				
Associates	\$ 26,679	\$ 44,992	\$ 87,023	\$ 101,123
Others	<u>23,514</u>	<u>20,591</u>	<u>63,949</u>	<u>31,727</u>
	<u>\$ 50,193</u>	<u>\$ 65,583</u>	<u>\$ 150,972</u>	<u>\$ 132,850</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
2) Purchases of goods				
Others	\$ 139,447	\$ 192,073	\$ 246,867	\$ 339,011
Associates	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>
	<u>\$ 139,447</u>	<u>\$ 192,073</u>	<u>\$ 246,895</u>	<u>\$ 339,011</u>

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

3) Other operating transactions

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Non-operating income - other income				
Others	\$ <u>31</u>	\$ <u>1,280</u>	\$ <u>258</u>	\$ <u>1,310</u>
Manufacturing and operating expenses				
Others	\$ <u>433</u>	\$ <u>864</u>	\$ <u>1,791</u>	\$ <u>1,544</u>
Operating expenses - donations				
Hiwin Education Foundation	\$ <u>3,000</u>	\$ <u>-</u>	\$ <u>6,500</u>	\$ <u>-</u>
		June 30, 2020	December 31, 2019	June 30, 2019
4) Notes receivable				
Others		\$ <u>906</u>	\$ <u>878</u>	\$ <u>1,832</u>
5) Trade receivables				
Associates		\$ 10,401	\$ 15,724	\$ 25,166
Others		<u>11,282</u>	<u>1,628</u>	<u>757</u>
		\$ <u>21,683</u>	\$ <u>17,352</u>	\$ <u>25,923</u>
6) Other receivables (classified as other current assets)				
Others		\$ <u>44</u>	\$ <u>515</u>	\$ <u>1,324</u>
7) Contract liabilities - current				
Others		\$ <u>1,790</u>	\$ <u>-</u>	\$ <u>-</u>
8) Trade payables				
Others		\$ <u>141,646</u>	\$ <u>131,925</u>	\$ <u>199,851</u>
9) Other payables				
Others		\$ <u>270</u>	\$ <u>554</u>	\$ <u>546</u>
10) Other non-current liabilities				
Others		\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,395</u>

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Six Months Ended	
	June 30	
	2020	2019
Others	<u>\$ 3,253</u>	<u>\$ 5,400</u>

d. Lease arrangements

Lease arrangements represent the rental price of the Corporation's leasing of a factory. The rental price was determined through negotiations based on the market prices of factories in the vicinity and the area of the leased space, and is paid on a monthly basis.

	Purchase Price		
	For the Six Months Ended		
	June 30		
	2020	December 31, 2019	June 30, 2019
<u>Acquisition of right-of-use assets</u>			
Others	<u>\$ -</u>		<u>\$ 3,622</u>

Lease liabilities

Others	<u>\$ 4,185</u>	<u>\$ 6,304</u>	<u>\$ 2,726</u>	
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019

Finance costs

Others	<u>\$ 17</u>	<u>\$ 10</u>	<u>\$ 37</u>	<u>\$ 22</u>
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e. Compensation of key management personnel

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 40,146	\$ 55,711	\$ 94,869	\$ 160,622
Post-employment benefits	208	177	891	356
Termination benefits	<u>-</u>	<u>-</u>	<u>1,060</u>	<u>952</u>
	<u>\$ 40,354</u>	<u>\$ 55,888</u>	<u>\$ 96,820</u>	<u>\$ 161,930</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	\$ 16,537,591	\$ 16,769,287	\$ 16,098,143
Right-of-use assets	73,296	76,142	80,857
Pledged bank deposits (classified as other current assets)	<u>2,713</u>	<u>5,300</u>	<u>3,832</u>
	<u>\$ 16,613,600</u>	<u>\$ 16,850,729</u>	<u>\$ 16,182,832</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of June 30, 2020, December 31, 2019 and June 30, 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$123,255 thousand, \$150,507 thousand and \$115,949 thousand, respectively.
- b. As of June 30, 2020, December 31, 2019 and June 30, 2019, commitments for the acquisition of property, plant and equipment amounted to \$1,007,687 thousand, \$1,275,485 thousand and \$2,574,952 thousand, respectively.

31. 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 the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,558	29.630	\$ 579,512	\$ 17,384	29.980	\$ 521,175
EUR	33,693	33.27	1,120,977	28,963	33.59	972,871
JPY	1,799,107	0.2751	494,934	1,957,608	0.2760	540,300
CNY	1,003,746	4.191	4,206,701	758,276	4.305	3,264,379
Non-monetary items						
USD	5,017	29.630	148,654	5,017	29.980	150,410
ILS	12,809	8.496	108,821	11,397	8.666	98,764
<u>Financial liabilities</u>						
Monetary items						
USD	2,534	29.630	75,076	3,168	29.980	94,979
EUR	1,021	33.27	33,985	747	33.59	25,098
JPY	216,792	0.2751	59,640	179,855	0.2760	49,640
CNY	5,349	4.191	22,416	2,501	4.305	10,765

June 30, 2019			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,341	31.060	\$ 569,664
EUR	38,820	35.38	1,373,448
JPY	2,456,844	0.2886	709,045
CNY	819,088	4.521	3,703,098
Non-monetary items			
USD	5,017	31.060	155,828
ILS	11,032	8.682	95,781
<u>Financial liabilities</u>			
Monetary items			
USD	4,723	31.060	146,683
EUR	3,819	35.38	135,121
JPY	217,059	0.2886	62,643
CNY	3,936	4.521	17,794

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

Foreign Currency	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 41,220</u>	1 (NTD:NTD)	<u>\$ 28,811</u>
Foreign Currency	For the Six Months Ended June 30, 2020		For the Six Months Ended June 30, 2019	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 67,318</u>	1 (NTD:NTD)	<u>\$ 100,218</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of 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 27)
 - 10) Others: 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:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 4 and 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

33. SEGMENT INFORMATION

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

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

	For the Six Months Ended June 30			
	Segment Revenue		Segment Profit	
	2020	2019	2020	2019
Linear guideways	\$ 5,994,676	\$ 7,822,246	\$ 655,187	\$ 1,877,740
Ballscrews	1,835,147	1,835,691	123,492	138,219
Others	<u>1,412,820</u>	<u>1,476,087</u>	<u>(176,500)</u>	<u>(196,071)</u>
Total from continuing operations	<u>\$ 9,242,643</u>	<u>\$ 11,134,024</u>	602,179	1,819,888
Subsidy revenue			22,500	24,055
Finance costs			(116,008)	(84,732)
Share of profit of associates accounted for using the equity method			11,076	9,172
Interest income			7,997	6,658
Gain from bargain purchase			48,159	-
Other income			90,952	99,663
Valuation gain (loss) on financial assets (liabilities) at FVTPL			8,649	(18,473)
Other expenses			(4,501)	(583)
Net foreign exchange gain (loss)			<u>(79,873)</u>	<u>91,103</u>
Profit before income tax			<u>\$ 591,130</u>	<u>\$ 1,946,751</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the six months ended June 30, 2020 and 2019.

Segment profit represents the profit before tax earned by each segment without subsidy revenue, finance costs, share of profit of associates accounted for using the equity method, interest income, gain from bargain purchase, 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 SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 242,495	\$ 242,495	\$ 242,495	1.49%	1	Sales \$560,400	-	\$ -	-	\$ -	\$ 3,542,231	\$ 7,084,461
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	129,304	129,304	129,304	1.49%	1	Sales 469,859	-	-	-	-	3,542,231	7,084,461
0	The Corporation	Matrix	Other receivables from related parties	Yes	39,640	36,430	-	1.49%	2	-	Operating capital	-	-	-	3,542,231	7,084,461

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

Note 2: The nature of financing is numbered as follows:
 1. A company that has business dealings with the lender.
 2. A company with short-term financing needs.

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	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	\$ 2,361,487	\$ 72,860 (GBP 2,000)	\$ 72,860 (GBP 2,000)	\$ 21,858 (GBP 600)	\$ -	0.3	\$ 8,265,205	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	2,361,487	332,700 (EUR 10,000)	332,700 (EUR 10,000)	107,367 (EUR 3,227)	-	1.4	8,265,205	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	2,361,487	2,050,000	2,050,000	1,664,000	-	8.7	8,265,205	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	2,361,487	177,780 (USD 6,000)	177,780 (USD 6,000)	77,038 (USD 2,600)	-	0.8	8,265,205	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	2,361,487	207,410 (USD 7,000)	207,410 (USD 7,000)	167,410 (USD 5,650)	-	0.9	8,265,205	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	2,361,487	648,411 (JPY 2,357,000)	648,411 (JPY 2,357,000)	593,025 (JPY 2,155,671)	-	2.7	8,265,205	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	2,361,487	600,000	600,000	499,000	-	2.5	8,265,205	Yes	-	-

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

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

Note 3: The amounts denominated in foreign currencies were translated into New Taiwan dollars at the prevailing exchange rates on June 30, 2020.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,906	-	\$ 2,906	
	<u>Share capital</u> Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,375,113	769,697	8	769,697	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,000,000	27,045	5	27,045	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,520	-	2,520	
	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	165,194	19	165,194	

Note: For information on the investments in subsidiaries and associates, please see Tables 7 and 8.

TABLE 4**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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 China	Subsidiary	Sale	\$ (1,096,051)	(15%)	O/A 120 days	\$ -	-	\$ 824,288	15%	
	Hiwin Germany	Subsidiary	Sale	(586,044)	(8%)	O/A 90 days	-	-	271,160	5%	
	Hiwin Italy	Subsidiary	Sale	(231,910)	(3%)	O/A 180 days	-	-	325,532	6%	
	Hiwin Japan	Subsidiary	Sale	(158,716)	(2%)	O/A 150 days	-	-	200,786	4%	
	Hiwin USA	Subsidiary	Sale	(139,361)	(2%)	O/A 120 days	-	-	109,525	2%	
	Hiwin Korea	Subsidiary	Sale	(118,818)	(2%)	O/A 180 days	-	-	117,505	2%	
Hiwin China	The Corporation	Parent Company	Purchase	1,096,051	87%	O/A 120 days	-	-	(824,288)	(95%)	
Hiwin Germany	The Corporation	Parent Company	Purchase	586,044	55%	O/A 90 days	-	-	(271,160)	(85%)	
Hiwin Italy	The Corporation	Parent Company	Purchase	231,910	69%	O/A 180 days	-	-	(325,532)	(69%)	
Hiwin Japan	The Corporation	Parent Company	Purchase	158,716	84%	O/A 150 days	-	-	(200,786)	(94%)	
Hiwin USA	The Corporation	Parent Company	Purchase	139,361	51%	O/A 120 days	-	-	(109,525)	(63%)	
Hiwin Korea	The Corporation	Parent Company	Purchase	118,818	73%	O/A 180 days	-	-	(117,505)	(95%)	

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

JUNE 30, 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	\$ 200,786	1.41	\$ -	-	\$ -	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	243,358	-	-	-	-	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	271,160	4.68	-	-	100,161	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	325,532	1.47	-	-	36,378	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	129,738	-	-	-	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	824,288	3.07	-	-	115,253	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	117,505	1.99	-	-	16,276	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	109,525	3.42	-	-	31,788	-

Note: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 586,044	O/A 90 days	6	
			1	Trade receivables	271,160	O/A 90 days	1	
		Hiwin Japan	1	Sales	158,716	O/A 150 days	2	
			1	Trade receivables	200,786	O/A 150 days	-	
		Hiwin China	1	Other receivables	243,358	-	1	
			1	Sales	1,096,051	O/A 120 days	12	
		Hiwin Italy	1	Trade receivables	824,288	O/A 120 days	2	
			1	Sales	231,910	O/A 180 days	3	
		Hiwin USA	1	Trade receivables	325,532	O/A 180 days	1	
			1	Other receivables	129,738	-	-	
		Hiwin Korea	1	Sales	139,361	O/A 120 days	2	
			1	Trade receivables	109,525	O/A 120 days	-	
		Hiwin Singapore	1	Sales	118,818	O/A 180 days	1	
			1	Trade receivables	117,505	O/A 180 days	-	
				1	Sales	48,317	O/A 120 days	1
				1	Trade receivables	36,997	O/A 120 days	-

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

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

Note 3: Unrealized gains from Hiwin China totaled \$89,772 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,723,304	\$ 68,541	\$ 68,541	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	594,287	30,745	30,745	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	136,091	(75,722)	(75,722)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	141,650	29,980	11,992	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	2,983,556	2,983,556	171,449,427	74	(415,917)	(243,369)	(180,507)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(35,194)	14,256	14,256	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(87,675)	(24,359)	(24,359)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	603,244	603,244	21,710,747	51	131,993	(129,675)	(73,257)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,852	5	5	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	59,629	8,975	8,975	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	271,149	(29,377)	(24,680)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	66,300	-	150,000	50	110,507	3,212	2,216	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	59,052 (EUR 1,775)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	43,532	3,212	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Repatriation of Investment Income as of June 30, 2020
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 249,277 (USD 8,413)	(Note 1)	\$ 139,733 (USD 5,017)	\$ -	\$ -	\$ 139,733 (USD 5,017)	\$ (23,496)	19	(Note 3)	\$ 165,194	\$ 110,732 (USD 3,614)
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)	56,116	100	\$ 56,116 (Notes 4 and 7)	1,698,337 (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)	(1,989)	51	(1,145) (Notes 4 and 7)	4,484 (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)	(3,451)	51	(1,986) (Notes 4 and 7)	869 (Note 7)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,637,773 (USD 5,017 and CNY 300,000)	\$ 1,538,785 (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 in the company in mainland China was made through reinvestment in an existing company established in a third country.

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

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

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

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

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

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

TABLE 9**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2020**

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

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

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