

**Hiwin Technologies Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Hiwin Technologies Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Hiwin Technologies Corporation (the "Corporation") and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$8,629,682 thousand and NT\$8,159,048 thousand, respectively, representing 18% and 17%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$4,188,593 thousand and NT\$4,313,460 thousand, respectively, representing 20% and 18% of the consolidated total liabilities; for the three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$53,786 thousand and NT\$(102,971) thousand, respectively, representing 5% and 20%, respectively, of the consolidated total comprehensive income (loss).

## Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 5, 2021

### Notice to Readers

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

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 3,046,992	6	\$ 2,603,652	5	\$ 1,947,553	4
Financial assets at fair value through profit or loss - current (Note 7)	1,432	-	128	-	3,890	-
Notes receivable from unrelated parties, net (Notes 9 and 28)	1,370,589	3	1,208,512	2	430,483	1
Notes receivable from related parties, net (Note 27)	2,077	-	693	-	402	-
Trade receivables from unrelated parties, net (Note 9)	4,725,673	10	5,116,498	11	4,049,319	9
Trade receivables from related parties, net (Note 27)	22,370	-	16,211	-	58,248	-
Inventories (Note 10)	6,407,106	13	6,197,806	13	7,519,598	16
Other current assets (Notes 6, 27 and 28)	543,194	1	465,683	1	490,925	1
Total current assets	<u>16,119,433</u>	<u>33</u>	<u>15,609,183</u>	<u>32</u>	<u>14,500,418</u>	<u>31</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,573,953	3	944,234	2	736,349	2
Financial assets at amortized cost - non-current	2,889	-	2,906	-	2,906	-
Investments accounted for using the equity method (Note 12)	223,573	-	219,832	-	196,587	-
Property, plant and equipment (Notes 13, 27 and 28)	27,672,403	57	27,864,527	58	28,252,466	60
Right-of-use assets (Notes 14, 27 and 28)	712,803	2	729,913	2	790,462	2
Goodwill	256,163	1	256,163	1	256,163	-
Deferred tax assets (Note 4)	421,220	1	361,720	1	382,031	1
Prepayments for machinery and equipment (Note 15)	1,581,957	3	1,768,214	4	2,077,454	4
Refundable deposits	94,001	-	63,913	-	71,258	-
Other non-current assets (Note 9)	220,403	-	217,177	-	178,404	-
Total non-current assets	<u>32,759,365</u>	<u>67</u>	<u>32,428,599</u>	<u>68</u>	<u>32,944,080</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 48,878,798</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 47,444,498</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 16 and 28)	\$ 5,453,525	11	\$ 5,542,045	12	\$ 10,267,176	22
Short-term bills payable (Note 16)	79,853	-	19,936	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	2,287	-	7,327	-	751	-
Contract liabilities - current	106,641	-	102,129	-	166,020	-
Notes payable	9,202	-	8,762	-	1,859	-
Trade payables to unrelated parties	3,429,297	7	3,182,134	7	1,937,900	4
Trade payables to related parties (Note 27)	155,960	1	111,356	-	126,636	-
Other payables (Notes 17 and 27)	1,473,551	3	1,623,389	3	1,174,955	3
Dividends payable (Note 24)	661,733	2	-	-	-	-
Current tax liabilities (Note 4)	500,748	1	335,972	1	86,494	-
Lease liabilities - current (Notes 14 and 27)	134,987	-	136,892	-	166,592	-
Current portion of long-term borrowings (Notes 16 and 28)	1,118,974	2	1,273,168	3	1,281,616	3
Other current liabilities	85,870	-	108,193	-	80,654	-
Total current liabilities	<u>13,212,628</u>	<u>27</u>	<u>12,451,303</u>	<u>26</u>	<u>15,290,653</u>	<u>32</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 16 and 28)	6,661,671	14	6,892,359	14	7,740,522	16
Deferred tax liabilities (Note 4)	567,471	1	556,757	1	444,393	1
Lease liabilities - non-current (Notes 14 and 27)	429,150	1	442,220	1	472,425	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	268,260	-	294,571	1	232,458	1
Other non-current liabilities	10,807	-	11,178	-	22,089	-
Total non-current liabilities	<u>7,937,359</u>	<u>16</u>	<u>8,197,085</u>	<u>17</u>	<u>8,911,887</u>	<u>19</u>
Total liabilities	<u>21,149,987</u>	<u>43</u>	<u>20,648,388</u>	<u>43</u>	<u>24,202,540</u>	<u>51</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>						
Ordinary shares	3,308,663	7	3,308,663	7	3,095,789	6
Capital surplus	5,602,509	11	5,600,568	11	3,320,372	7
Retained earnings						
Legal reserve	2,892,584	6	2,892,584	6	2,706,052	6
Unappropriated earnings	15,234,040	31	15,363,677	32	14,279,054	30
Other equity	918,420	2	396,636	1	(31,206)	-
Total equity attributable to owners of the Corporation	<u>27,956,216</u>	<u>57</u>	<u>27,562,128</u>	<u>57</u>	<u>23,370,061</u>	<u>49</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>(227,405)</u>	<u>-</u>	<u>(172,734)</u>	<u>-</u>	<u>(128,103)</u>	<u>-</u>
Total equity	<u>27,728,811</u>	<u>57</u>	<u>27,389,394</u>	<u>57</u>	<u>23,241,958</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 48,878,798</u>	<u>100</u>	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 47,444,498</u>	<u>100</u>

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

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
SALES (Note 27)	\$ 5,991,447	100	\$ 3,614,067	100
COST OF GOODS SOLD (Notes 10, 20 and 27)	<u>4,087,151</u>	<u>68</u>	<u>2,722,767</u>	<u>76</u>
GROSS PROFIT	<u>1,904,296</u>	<u>32</u>	<u>891,300</u>	<u>24</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	336,236	6	356,834	10
General and administrative expenses	507,754	9	389,206	11
Research and development expenses	<u>249,616</u>	<u>4</u>	<u>230,712</u>	<u>6</u>
Total operating expenses	<u>1,093,606</u>	<u>19</u>	<u>976,752</u>	<u>27</u>
PROFIT (LOSS) FROM OPERATIONS	<u>810,690</u>	<u>13</u>	<u>(85,452)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 20 and 27)	(45,435)	(1)	(60,888)	(2)
Share of profit of associates accounted for using the equity method (Note 12)	9,690	-	6,868	-
Interest income	2,042	-	3,576	-
Other income (Note 27)	25,223	1	16,853	1
Other expenses	(1,971)	-	(2,379)	-
Net foreign exchange loss (Note 30)	(127,894)	(2)	(47,301)	(1)
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	<u>(5,125)</u>	<u>-</u>	<u>918</u>	<u>-</u>
Total non-operating income and expenses	<u>(143,470)</u>	<u>(2)</u>	<u>(82,353)</u>	<u>(2)</u>
PROFIT (LOSS) BEFORE INCOME TAX	667,220	11	(167,805)	(5)
INCOME TAX EXPENSE (Notes 4 and 21)	<u>187,821</u>	<u>3</u>	<u>23,111</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>479,399</u>	<u>8</u>	<u>(190,916)</u>	<u>(5)</u>

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 629,719	11	\$ (290,045)	(8)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(134,943)	(2)	(45,054)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	26,975	-	8,980	-
	<u>(107,968)</u>	<u>(2)</u>	<u>(36,074)</u>	<u>(1)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>521,751</u>	<u>9</u>	<u>(326,119)</u>	<u>(9)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u>\$ 1,001,150</u>	<u>17</u>	<u>\$ (517,035)</u>	<u>(14)</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 532,096	9	\$ (131,249)	(3)
Non-controlling interests	<u>(52,697)</u>	<u>(1)</u>	<u>(59,667)</u>	<u>(2)</u>
	<u>\$ 479,399</u>	<u>8</u>	<u>\$ (190,916)</u>	<u>(5)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 1,053,880	18	\$ (457,290)	(12)
Non-controlling interests	<u>(52,730)</u>	<u>(1)</u>	<u>(59,745)</u>	<u>(2)</u>
	<u>\$ 1,001,150</u>	<u>17</u>	<u>\$ (517,035)</u>	<u>(14)</u>
<b>EARNINGS (LOSS) PER SHARE (Note 22)</b>				
Basic	<u>\$ 1.61</u>		<u>\$ (0.41)</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ (0.41)</u>	

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

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Note 19)								
	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity		Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2020	\$ 3,095,789	\$ 3,236,274	\$ 2,706,052	\$ 14,410,303	\$ (409,634)	\$ 704,469	\$ 23,743,253	\$ (88,776)	\$ 23,654,477
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	84,098	20,418	104,516
Net loss for the three months ended March 31, 2020	-	-	-	(131,249)	-	-	(131,249)	(59,667)	(190,916)
Other comprehensive loss for the three months ended March 31, 2020, net of income tax	-	-	-	-	(35,996)	(290,045)	(326,041)	(78)	(326,119)
Total comprehensive loss for the three months ended March 31, 2020	-	-	-	(131,249)	(35,996)	(290,045)	(457,290)	(59,745)	(517,035)
BALANCE AT MARCH 31, 2020	\$ 3,095,789	\$ 3,320,372	\$ 2,706,052	\$ 14,279,054	\$ (445,630)	\$ 414,424	\$ 23,370,061	\$ (128,103)	\$ 23,241,958
BALANCE AT JANUARY 1, 2021	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128	\$ (172,734)	\$ 27,389,394
Appropriation of 2020 earnings Cash dividends - NT\$2 per share	-	-	-	(661,733)	-	-	(661,733)	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	1,941	-	-	-	-	1,941	(1,941)	-
Net profit (loss) for the three months ended March 31, 2021	-	-	-	532,096	-	-	532,096	(52,697)	479,399
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	(107,935)	629,719	521,784	(33)	521,751
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	532,096	(107,935)	629,719	1,053,880	(52,730)	1,001,150
BALANCE AT MARCH 31, 2021	\$ 3,308,663	\$ 5,602,509	\$ 2,892,584	\$ 15,234,040	\$ (444,799)	\$ 1,363,219	\$ 27,956,216	\$ (227,405)	\$ 27,728,811

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

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 667,220	\$ (167,805)
Adjustments for :		
Depreciation expenses	546,991	573,552
Amortization expenses	11,252	15,885
Expected credit loss recognized (reversed) on trade receivables	(508)	3,166
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	855	(3,139)
Finance costs	45,435	60,888
Interest income	(2,042)	(3,576)
Share of profit or loss of associates accounted for using the equity method	(9,690)	(6,868)
Gain on disposal of property, plant and equipment	(745)	(5,053)
Recognition (reversal) of inventory write-downs	(6,875)	86,888
Unrealized loss on foreign currency exchange, net	37,886	51,118
Others	(597)	(3,804)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(7,199)	2,555
Notes receivable	(177,787)	(29,140)
Trade receivables	305,993	249,126
Inventories	(232,489)	(21,118)
Other current assets	(74,676)	(37,752)
Contract liabilities	4,607	45,501
Notes payable	440	(6,722)
Trade payables	360,550	(188,827)
Other payables	99,450	(235,036)
Other current liabilities	(20,835)	(11,455)
Net defined benefit liabilities	(24,535)	(43,610)
Cash generated from operations	1,522,701	324,774
Interest received	2,025	1,017
Interest paid	(44,064)	(63,801)
Income tax paid	(41,432)	(72,506)
Net cash generated from operating activities	<u>1,439,230</u>	<u>189,484</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(386,367)	(328,349)
Proceeds from disposal of property, plant and equipment	2,130	5,838
Decrease (increase) in refundable deposits	(31,590)	9,293
Decrease (increase) in other financial assets	(8,000)	3,300

(Continued)



# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Increase in other non-current assets	\$ (22,600)	\$ (22,842)
Increase in prepayments for machinery and equipment	<u>(122,257)</u>	<u>(173,708)</u>
Net cash used in investing activities	<u>(568,684)</u>	<u>(506,468)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from short-term borrowings	(39,054)	508,454
Proceeds from short-term bills payable	59,917	-
Proceeds from long-term borrowings	88,648	150,819
Repayments of long-term borrowings	(458,882)	(467,770)
Repayment of the principal portion of lease liabilities	(37,762)	(44,006)
Increase in other non-current liabilities	164	10,339
Changes in non-controlling interests	<u>-</u>	<u>104,516</u>
Net cash generated from (used in) financing activities	<u>(386,969)</u>	<u>262,352</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(40,237)</u>	<u>(6,560)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	443,340	(61,192)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>2,603,652</u>	<u>2,008,745</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 3,046,992</u>	<u>\$ 1,947,553</u>

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

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“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 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 will be 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” will be 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” will be 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 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.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

See Note 11, Tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) Retirement benefits

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

2) Taxation

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

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

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

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,716	\$ 2,324	\$ 3,136
Checking accounts and demand deposits	2,844,132	2,362,456	1,737,184
Pledged time deposits	10,000	2,000	2,000
Cash equivalents			
Time deposits (investments with original maturities of less than 3 months)	<u>200,144</u>	<u>238,872</u>	<u>207,233</u>
	3,056,992	2,605,652	1,949,553
Less: Pledged time deposits (classified as other current assets)	<u>(10,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>
	<u>\$ 3,046,992</u>	<u>\$ 2,603,652</u>	<u>\$ 1,947,553</u>
 <u>Rate of interest per annum (%)</u>			
Cash in bank	0.00-0.40	0.00-0.40	0.00-0.40
Time deposits (investments with original maturities of less than 3 months)	0.05-2.40	0.05-2.40	0.05-1.95
Pledged time deposits	0.09-0.82	0.82	0.82

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Sell	EUR/NTD	2021.4.21-2021.6.24	EUR2200/NTD74,718
Sell	RMB/NTD	2021.4.12-2021.6.21	RMB58,000/NTD250,096
Sell	USD/NTD	2021.4.15-2021.7.29	USD3,500/NTD98,474
 <u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NTD105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NTD361,257
Sell	USD/NTD	2021.1.26-2021.3.29	USD1,700/NTD47,862

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>March 31, 2020</u>			
Sell	EUR/NTD	2020.5.7-2020.7.27	EUR3,300/NTD109,893
Sell	RMB/NTD	2020.5.6-2020.7.9	RMB70,000/NTD299,067
Sell	USD/NTD	2020.4.27-2020.7.13	USD2,000/NTD60,438

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)			
Domestic listed ordinary shares			
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 1,490,155	\$ 860,140	\$ 498,756
Domestic unlisted ordinary shares			
Ever Fortune. AI Co., Ltd. (Ever Fortune)	45,181	45,017	27,405
Taichung International Country Club	2,850	2,650	2,500
Sunengine Corporation Ltd. (Sunengine)	-	-	-
King Kong Iron Work Ltd.	-	-	-
Overseas unlisted ordinary shares			
Kaland Holdings Corp. (Kaland)	35,767	36,427	204,368
Hiwin (Schweiz) GmbH (Note 11)	-	-	3,320
	<u>\$ 1,573,953</u>	<u>\$ 944,234</u>	<u>\$ 736,349</u>

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

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

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

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

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 1,371,376	\$ 1,209,090	\$ 430,955
Less: Allowance for impairment loss	<u>(787)</u>	<u>(578)</u>	<u>(472)</u>
	<u>\$ 1,370,589</u>	<u>\$ 1,208,512</u>	<u>\$ 430,483</u>
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 4,741,476	\$ 5,133,330	\$ 4,079,844
Less: Allowance for impairment loss	<u>(15,803)</u>	<u>(16,832)</u>	<u>(30,525)</u>
	<u>\$ 4,725,673</u>	<u>\$ 5,116,498</u>	<u>\$ 4,049,319</u>

### a. Notes receivable

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

	March 31, 2021	December 31, 2020	March 31, 2020
Not past due	\$ 1,371,376	\$ 1,209,090	\$ 430,955
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,371,376</u>	<u>\$ 1,209,090</u>	<u>\$ 430,955</u>

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

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

Purchaser of Notes Receivable	March 31, 2021		
	Notes Receivable Transferred	Amount in Advanced (Note)	Interest Rate
Bank of China	\$ 122,973	\$ 122,973	3.13%-3.85%
China Construction Bank	<u>51,758</u>	<u>51,758</u>	3.85%
	<u>\$ 174,731</u>	<u>\$ 174,731</u>	

Purchaser of Notes Receivable	December 31, 2020		
	Notes Receivable Transferred	Amount Advanced (Note)	Range of Rate
Bank of China	\$ 157,973	\$ 157,973	3.13%
China Construction Bank	<u>4,377</u>	<u>4,377</u>	3.00%
	<u>\$ 162,350</u>	<u>\$ 162,350</u>	

Note: Classified under short-term borrowings, for related information of guarantee and short-term borrowings, please refer to Notes 16 and 28.

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables.

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>March 31, 2021</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,533,107	\$ 193,046	\$ 3,430	\$ 11,893	\$ 4,741,476
Loss allowance (Lifetime ECLs)	<u>(3,017)</u>	<u>(1,463)</u>	<u>(1,111)</u>	<u>(10,212)</u>	<u>(15,803)</u>
Amortized cost	<u>\$ 4,530,090</u>	<u>\$ 191,583</u>	<u>\$ 2,319</u>	<u>\$ 1,681</u>	<u>\$ 4,725,673</u>



	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 360 Days</b>	<b>Over 360 Days</b>	<b>Total</b>
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,605,244	\$ 508,843	\$ 6,150	\$ 13,093	\$ 5,133,330
Loss allowance (Lifetime ECLs)	<u>(3,155)</u>	<u>(1,888)</u>	<u>(631)</u>	<u>(11,158)</u>	<u>(16,832)</u>
Amortized cost	<u>\$ 4,602,089</u>	<u>\$ 506,955</u>	<u>\$ 5,519</u>	<u>\$ 1,935</u>	<u>\$ 5,116,498</u>
<u>March 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 2,745,252	\$ 956,152	\$ 365,482	\$ 12,958	\$ 4,079,844
Loss allowance (Lifetime ECLs)	<u>(6,358)</u>	<u>(4,593)</u>	<u>(8,999)</u>	<u>(10,575)</u>	<u>(30,525)</u>
Amortized cost	<u>\$ 2,738,894</u>	<u>\$ 951,559</u>	<u>\$ 356,483</u>	<u>\$ 2,383</u>	<u>\$ 4,049,319</u>

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

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Notes Receivable</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>
Balance at January 1, 2021	\$ 578	\$ 16,832	\$ 27,395
Net remeasurement of loss allowance	209	(717)	-
Foreign exchange gains and losses	<u>-</u>	<u>(312)</u>	<u>-</u>
Balance at March 31, 2021	<u>\$ 787</u>	<u>\$ 15,803</u>	<u>\$ 27,395</u>

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

## 10. INVENTORIES

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Merchandise	\$ 2,259	\$ 2,086	\$ 1,934
Finished goods	1,866,768	1,989,847	2,387,402
Work in process	1,774,432	1,692,451	1,636,260
Raw materials and supplies	2,333,138	2,272,683	3,255,472
Inventory in transit	<u>430,509</u>	<u>240,739</u>	<u>238,530</u>
	<u>\$ 6,407,106</u>	<u>\$ 6,197,806</u>	<u>\$ 7,519,598</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 and 2020 was \$4,087,151 thousand and \$2,722,767 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 and 2020 included inventory write-downs of (reversal of inventory write-downs) of \$(6,875) thousand and \$86,888 thousand, and unallocated fixed overhead of \$81,813 thousand and \$74,100 thousand, respectively. Previous write-downs were reversed as a result of inventory consumed and increased selling prices in markets.

## 11. SUBSIDIARIES

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

Investor	Investee	Main Business	% of Ownership		
			March 31, 2021	December 31, 2020	March 31, 2020
The Corporation	Hiwin Corporation, U.S.A. (“Hiwin USA”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation, Japan (“Hiwin Japan”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin GmbH (“Hiwin Germany”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Eterbright Solar Corporation (“Eterbright”)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	74	74	74
	Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Corporation (“Hiwin Korea”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Hiwin Technologies (China) Corporation (“Hiwin China”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	100
	Matrix Precision Co., Ltd. (“Matrix Precision”) (Note 23)	Research, development, production, manufacture and sale of gear cutting tools and machinery	50	51	51
	Hiwin Healthcare Corp.	Sale of medical robots	100	100	100
	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”)	Matrix Machine Tool (Coventry) Limited (“Matrix”)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100	100
	Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	81	-
Hiwin Germany	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19	19
Matrix Precision	Luren Precision Machinery (Shanghai) Co., Ltd. (“Luren Shanghai”)	Sale of gear cutting tools and machinery	100	100	100
	Suzhou Matrix Precision Machinery Co., Ltd. (“Suzhou Matrix”)	Sale of gear cutting tools and machinery	100	100	100

Except for the financial statements of Hiwin China and Eterbright for the three months ended March 31, 2021 and 2020 which were reviewed by the independent auditors, the remaining subsidiaries are immaterial subsidiaries; their financial statements have not been reviewed.

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

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

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

See Tables 8 and 9 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests		
	For the Three Months Ended March 31		March 31, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Eterbright	\$ (34,016)	\$ (34,231)	\$ (254,068)	\$ (220,053)	\$ (116,214)
Matrix Precision	(18,714)	(25,514)	26,663	47,319	(11,889)
	<u>\$ (52,730)</u>	<u>\$ (59,745)</u>	<u>\$ (227,405)</u>	<u>\$ (172,734)</u>	<u>\$ (128,103)</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 226,701	\$ 247,253	\$ 238,133
Non-current assets	1,132,626	1,148,335	1,163,740
Current liabilities	(2,259,720)	(2,158,118)	(1,714,163)
Non-current liabilities	<u>(83,224)</u>	<u>(89,397)</u>	<u>(137,629)</u>
Equity	<u>\$ (983,617)</u>	<u>\$ (851,927)</u>	<u>\$ (449,919)</u>
Equity attributable to:			
Owners of Eterbright	\$ (729,549)	\$ (631,874)	\$ (333,705)
Non-controlling interests of Eterbright	<u>(254,068)</u>	<u>(220,053)</u>	<u>(116,214)</u>
	<u>\$ (983,617)</u>	<u>\$ (851,927)</u>	<u>\$ (449,919)</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	\$ 6,686	\$ 9,428
Net loss for the period	\$ (131,690)	\$ (132,525)
Other comprehensive income (loss) for the period	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>\$ (13,1690)</u>	<u>\$ (132,525)</u>
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (97,674)	\$ (98,294)
Non-controlling interests of Eterbright	<u>(34,016)</u>	<u>(34,231)</u>
	<u>\$ (131,690)</u>	<u>\$ (132,525)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (96,860)	\$ (102,509)
Investing activities	(33,175)	(6,401)
Financing activities	<u>100,044</u>	<u>101,731</u>
Net cash outflow	<u>\$ (29,991)</u>	<u>\$ (7,179)</u>

Matrix Precision and Matrix Precision's subsidiaries

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Current assets	\$ 621,339	\$ 555,851	\$ 585,115
Non-current assets	1,387,396	1,389,660	1,394,746
Current liabilities	(999,205)	(890,223)	(999,979)
Non-current liabilities	<u>(949,481)</u>	<u>(957,400)</u>	<u>(996,602)</u>
Equity	<u>\$ (60,049)</u>	<u>\$ 97,888</u>	<u>\$ (16,720)</u>
Equity attributable to:			
Owners of Matrix Precision	\$ 30,084	\$ 47,197	\$ (8,536)
Non-controlling interests of Matrix Precision	<u>29,965</u>	<u>50,691</u>	<u>(8,184)</u>
	<u>\$ 60,049</u>	<u>\$ 97,888</u>	<u>\$ (16,720)</u>



### 13. PROPERTY, PLANT AND EQUIPMENT

	For the Three Months Ended March 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 5,516,026	\$ -	\$ -	\$ -	\$ (43,333)	\$ 5,472,693
Buildings and improvements	13,981,515	2,479	-	35,024	(41,358)	13,977,660
Machinery and equipment	15,143,381	64,346	(428,381)	306,070	(25,064)	15,060,352
Transportation equipment	218,095	4,921	(4,449)	1,105	(6,600)	213,072
Leasehold improvements	118,059	-	-	-	(2,526)	115,533
Miscellaneous equipment	2,847,657	19,404	(23,887)	1,015	(9,808)	2,834,381
Construction in progress	<u>710,843</u>	<u>74,475</u>	<u>-</u>	<u>(35,313)</u>	<u>(9,464)</u>	<u>740,541</u>
	<u>38,535,576</u>	<u>\$ 165,625</u>	<u>\$ (456,717)</u>	<u>\$ 307,901</u>	<u>\$ (138,153)</u>	<u>38,414,232</u>

	For the Three Months Ended March 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	2,029,881	\$ 85,009	\$ -	\$ -	\$ (12,104)	2,102,786
Machinery and equipment	6,605,652	400,822	(427,043)	-	(11,658)	6,567,773
Transportation equipment	125,607	7,938	(4,449)	-	(3,871)	125,225
Leasehold improvements	107,618	960	-	-	(2,103)	106,475
Miscellaneous equipment	<u>1,802,291</u>	<u>67,646</u>	<u>(23,840)</u>	<u>-</u>	<u>(6,527)</u>	<u>1,839,570</u>
	<u>10,671,049</u>	<u>\$ 562,375</u>	<u>\$ (455,332)</u>	<u>\$ -</u>	<u>\$ (36,263)</u>	<u>10,741,829</u>
	<u>\$ 27,864,527</u>					<u>\$ 27,672,403</u>

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

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

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

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

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

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Carrying amounts</u>			
Land	\$ 325,826	\$ 330,424	\$ 341,339
Buildings	360,668	370,195	425,942
Transportation equipment	25,681	28,604	22,064
Miscellaneous equipment	<u>628</u>	<u>690</u>	<u>1,117</u>
	<u>\$ 712,803</u>	<u>\$ 729,913</u>	<u>\$ 790,462</u>
	<b>For the Three Months Ended March 31</b>		
	<b>2021</b>	<b>2020</b>	
Additions to right-of-use assets	<u>\$ 34,789</u>	<u>\$ 3,826</u>	
Depreciation charge for right-of-use assets			
Land		\$ 5,142	\$ 5,102
Buildings		32,232	39,409
Transportation equipment		2,038	2,018
Miscellaneous equipment		<u>86</u>	<u>167</u>
		<u>\$ 39,498</u>	<u>\$ 46,696</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 three months ended March 31, 2021 and 2020.

##### b. Lease liabilities

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Carrying amounts</u>			
Current	<u>\$ 134,987</u>	<u>\$ 136,892</u>	<u>\$ 166,592</u>
Non-current	<u>\$ 429,150</u>	<u>\$ 442,220</u>	<u>\$ 472,425</u>

Range of discount rate for lease liabilities was as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Land	1.45%-1.50%	1.45%-1.50%	1.45%-1.50%
Buildings	1.35%-4.10%	1.35%-4.10%	1.45%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

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

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

d. Other lease information

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 2,622</u>	<u>\$ 1,883</u>
Expenses relating to low-value asset leases	<u>\$ 831</u>	<u>\$ 588</u>
Total cash outflow for leases	<u>\$ (43,632)</u>	<u>\$ (49,191)</u>

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

## 15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

<b>The Date of Initial Cost Contribution</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Within 1 year	\$ 309,823	\$ 394,027	\$ 539,909
1-2 years	335,132	350,426	956,439
2-5 years	818,676	1,002,410	576,830
More than 5 years	<u>118,326</u>	<u>21,351</u>	<u>4,276</u>
	<u>\$ 1,581,957</u>	<u>\$ 1,768,214</u>	<u>\$ 2,077,454</u>

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



## 16. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Secured borrowings (Note 28)</u>			
Working capital loans	\$ 3,918,063	\$ 3,535,954	\$ 3,274,299
Loans for export sales	945,000	715,000	1,000,000
Loans for purchasing raw material	10,462	21,091	25,074
Letters of credit	<u>-</u>	<u>-</u>	<u>19,668</u>
	4,873,525	4,272,045	4,319,041
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>580,000</u>	<u>1,270,000</u>	<u>5,948,135</u>
	<u>\$ 5,453,525</u>	<u>\$ 5,542,045</u>	<u>\$ 10,267,176</u>
<u>Rate of interest per annum (%)</u>			
Working capital loans	0.24-3.80	0.25-3.13	0.28-3.63
Loans for export sales	0.51-1.33	0.51-1.58	0.81
Loans for purchasing raw material	1.56	1.56	1.55-1.90
Letters of credit	-	-	1.22-1.81
Line of credit borrowings	0.77-0.88	0.77-0.88	0.82-3.65

Among secured borrowings, the amounts of discounted notes receivable were \$174,731 thousand and \$162,350 thousand for the three months ended March 31, 2021 and for the year ended December 31, 2020, respectively (refer to Note 9).

### b. Short-term bills payable

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Commercial paper	\$ 80,000	\$ 20,000
Less: Unamortized discount on bills payable	<u>(147)</u>	<u>(64)</u>
	<u>\$ 79,853</u>	<u>\$ 19,936</u>
Rate of interest per annum (%)	1.54	1.54

c. Long-term borrowings

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Secured borrowings</u> (Note 28)			
Secured loans	\$ 7,137,094	\$ 7,398,147	\$ 8,563,078
<u>Unsecured borrowings</u>			
Unsecured loans	<u>643,551</u>	<u>767,380</u>	<u>459,060</u>
	7,780,645	8,165,527	9,022,138
Less: Current portion	<u>(1,118,974)</u>	<u>(1,273,168)</u>	<u>(1,281,616)</u>
Long-term borrowings	<u>\$ 6,661,671</u>	<u>\$ 6,892,359</u>	<u>\$ 7,740,522</u>
<u>Rate of interest per annum (%)</u>			
Secured loans	0.36-4.90	0.36-4.90	1.03-4.90
Unsecured loans	0.70-4.90	0.70-4.90	1.05-4.90

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of March 31, 2021, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Corporation recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value; it was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful lives of the assets.

**17. OTHER PAYABLES**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Payables for salaries and bonuses	\$ 469,421	\$ 677,401	\$ 336,801
Payables for compensation of employees	207,896	165,084	152,790
Payables for annual leave	191,034	143,572	152,597
Payables for remuneration of directors	97,538	77,193	74,652
Payables for purchase of equipment	36,614	257,356	85,223
Others	<u>471,048</u>	<u>302,783</u>	<u>372,892</u>
	<u>\$ 1,473,551</u>	<u>\$ 1,623,389</u>	<u>\$ 1,174,955</u>

**18. RETIREMENT BENEFIT PLANS**

For the three months ended March 31, 2021 and 2020, the pension expenses of defined benefit plans were \$821 thousand and \$1,078 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

## 19. EQUITY

### a. Ordinary shares

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

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

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

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

### b. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Issuance of ordinary shares	\$ 5,509,020	\$ 5,509,020	\$ 3,230,834
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries (2)	86,039	84,098	84,098
Invalid employee shares	<u>7,450</u>	<u>7,450</u>	<u>5,440</u>
	<u>\$ 5,602,509</u>	<u>\$ 5,600,568</u>	<u>\$ 3,320,372</u>

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

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

c. Retained earnings and dividends policy

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

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

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

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

The appropriations of cash dividends per share for 2020 and 2019 had been approved by the board of directors on March 23, 2021 and May 5, 2020, respectively, the appropriations of earnings for 2019 had been approved in the shareholders' meeting on June 19, 2020, and the appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 28, 2021.

## 20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 43,018	\$ 58,174
Interest on lease liabilities	<u>2,417</u>	<u>2,714</u>
	<u>\$ 45,435</u>	<u>\$ 60,888</u>

Information about capitalized interest is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest	\$ 8,452	\$ 6,639
Capitalization rates (%)	1.10-4.90	1.40-4.90

b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<u>For the Three Months Ended March 31, 2021</u>			
Short-term employee benefits	\$ 1,070,097	\$ 578,078	\$ 1,648,175
Post-employment benefits			
Defined contribution plans	31,810	16,061	47,871
Defined benefit plans (Note 18)	704	117	821
Other employee benefits	40,165	21,966	62,131
Depreciation expenses	450,446	96,545	546,991
Amortization expenses	4,693	6,559	11,252
<u>For the Three Months Ended March 31, 2020</u>			
Short-term employee benefits	687,964	507,559	1,195,523
Post-employment benefits			
Defined contribution plans	22,157	16,009	38,166
Defined benefit plans (Note 18)	837	241	1,078
Other employee benefits	32,421	9,950	42,371
Depreciation expenses	481,280	92,272	573,552
Amortization expenses	8,460	7,425	15,885

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. For the three months ended March 31, 2020, the Corporation had incurred net loss, hence, there were no compensation of employees and remuneration of directors. For the three months ended March 31, 2021, the compensation of employees and the remuneration of directors were as follows:

	<b>For the Three Months Ended March 31, 2021</b>	
	<b>Accrual rate</b>	<b>Amount</b>
Compensation of employees	5.8%	\$ 40,690
Remuneration of directors	2.9%	20,345

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

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

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

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

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

## 21. INCOME TAXES

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

	For the Three Months Ended March 31	
	2021	2020
Current tax		
In respect of the current period	\$ 197,642	\$ 12,049
Adjustments for prior periods	11,990	1,746
Deferred tax		
In respect of the current period	<u>(21,811)</u>	<u>9,316</u>
Income tax expense recognized in profit or loss	<u>\$ 187,821</u>	<u>\$ 23,111</u>

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

	For the Three Months Ended March 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current period		
Translation of foreign operations	<u>\$ (26,975)</u>	<u>\$ (8,980)</u>

- c. Income tax assessments

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

## 22. EARNINGS (LOSS) PER SHARE

	Net Profit (Loss) Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings (Loss) Per Share (NT\$)
<u>For the Three Months Ended March 31, 2021</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Corporation	\$ 532,096	330,866	<u>\$1.61</u>
Effect of potentially dilutive ordinary shares:			
Compensation of employees	-	<u>436</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 532,096</u>	<u>331,302</u>	<u>\$1.61</u>
<u>For the Three Months Ended March 31, 2020</u>			
Basic loss per share			
Loss for the period attributable to owners of the Corporation	\$ (131,249)	318,866	<u>\$(0.41)</u>
Effect of potentially dilutive ordinary shares:			
Compensation of employees	-	-	
Diluted loss per share			
Loss for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ (131,249)</u>	<u>318,866</u>	<u>\$(0.41)</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2020. The basic and diluted loss per share adjusted retrospectively for the three months ended March 31, 2020 were as follows:

	<b>Unit: NT\$ Per Share</b>	
	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic loss per share	<u>\$ (0.42)</u>	<u>\$ (0.41)</u>
Diluted loss per share	<u>\$ (0.42)</u>	<u>\$ (0.41)</u>

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

## **23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

On January 8, 2021, the Corporation subscribed for additional new shares of Matrix Precision at a percentage different from its existing ownership percentage, thereby decreasing its continuing interest from 51% to 50%; and recognized the amount of \$1,941 thousand in capital surplus.

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

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

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

## **24. NON-CASH TRANSACTIONS**

The cash dividends resolved by the Corporation's board of directors have not been paid on March 31, 2021 (refer to Note 19).

## **25. CAPITAL MANAGEMENT**

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

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

## **26. FINANCIAL INSTRUMENTS**

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

1) Fair value hierarchy

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



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

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

b. Categories of financial instruments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 1,432	\$ 128	\$ 3,890
Financial assets at amortized cost (1)	9,264,591	9,012,385	6,560,169
Financial assets at FVTOCI			
Equity instruments	1,573,953	944,234	736,349
<u>Financial liabilities</u>			
FVTPL			
Mandatorily classified as at FVTPL	2,287	7,327	751
Financial liabilities at amortized cost (2)	19,043,766	18,653,149	22,530,664

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the three months ended March 31, 2021 would have decreased by \$49,970 thousand; and the post-tax loss for the three months ended March 31, 2020 would have increased by \$39,884 thousand.

b) Interest rate risk

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

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value interest rate risk			
Deposits in bank	\$ 200,144	\$ 240,872	\$ 164,683
Lease liabilities	564,137	579,112	639,017
Short-term bills payable	79,853	19,936	-
Short-term borrowings	-	162,350	2,010,000
Long-term borrowings	250,960	269,723	345,744
Cash flow interest rate risk			
Deposits in bank	2,773,848	2,270,615	1,708,262
Short-term borrowings	5,453,525	5,379,695	8,257,176
Long-term borrowings	7,529,685	7,895,804	8,676,394

### Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the three months ended March 31, 2021 would have decreased by \$20,419 thousand, and post-tax loss for the three months ended March 31, 2020 would have increased by \$30,451 thousand.

### 2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 73%, 71% and 74% of the total trade receivables as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

### 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had available unutilized bank loan facilities of \$11,607,451 thousand, \$10,999,568 thousand and \$5,763,140 thousand, respectively.

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

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>March 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 5,729,743	\$ -	\$ -
Lease liabilities	154,213	305,898	140,323
Fixed interest rate liabilities	128,829	179,938	22,046
Variable interest rate liabilities	<u>6,523,523</u>	<u>3,209,233</u>	<u>3,250,454</u>
	<u>\$ 12,536,308</u>	<u>\$ 3,695,069</u>	<u>\$ 3,412,823</u>

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>March 31, 2021</u>			
Derivative financial liabilities			
Foreign exchange forward contracts	\$ <u>2,287</u>	\$ <u>-</u>	\$ <u>-</u>
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,925,641	\$ -	\$ -
Lease liabilities	138,890	261,123	130,049
Fixed interest rate liabilities	240,599	189,407	22,003
Variable interest rate liabilities	<u>6,594,550</u>	<u>3,275,515</u>	<u>3,405,434</u>
	<u>\$ 11,899,680</u>	<u>\$ 3,726,045</u>	<u>\$ 3,557,486</u>
Derivative financial liabilities			
Foreign exchange forward contracts	\$ <u>7,327</u>	\$ <u>-</u>	\$ <u>-</u>
<u>March 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,241,350	\$ -	\$ -
Lease liabilities	178,924	332,402	168,881
Fixed interest rate liabilities	2,063,138	188,216	104,390
Variable interest rate liabilities	<u>9,485,654</u>	<u>3,685,407</u>	<u>3,762,509</u>
	<u>\$ 14,969,066</u>	<u>\$ 4,206,025</u>	<u>\$ 4,035,780</u>
Derivative financial liabilities			
Foreign exchange forward contracts	\$ <u>751</u>	\$ <u>-</u>	\$ <u>-</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
<u>March 31, 2021</u>					
Lease liabilities	\$ <u>154,213</u>	\$ <u>305,898</u>	\$ <u>87,780</u>	\$ <u>45,695</u>	\$ <u>6,848</u>
<u>December 31, 2020</u>					
Lease liabilities	\$ <u>138,890</u>	\$ <u>261,123</u>	\$ <u>75,428</u>	\$ <u>45,547</u>	\$ <u>9,074</u>
<u>March 31, 2020</u>					
Lease liabilities	\$ <u>178,924</u>	\$ <u>332,402</u>	\$ <u>99,467</u>	\$ <u>53,533</u>	\$ <u>15,881</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party name and categories

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

### b. Operating transactions

	<b>For the Three Months Ended March 31</b>	
	<u>2021</u>	<u>2020</u>
1) Sales of goods		
Associates	\$ 42,067	\$ 60,344
Others	<u>35,216</u>	<u>40,435</u>
	<u>\$ 77,283</u>	<u>\$ 100,779</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.

	<b>For the Three Months Ended March 31</b>	
	<u>2021</u>	<u>2020</u>
2) Purchases of goods		
Others	\$ 191,911	\$ 107,420
Associates	<u>-</u>	<u>28</u>
	<u>\$ 191,911</u>	<u>\$ 107,448</u>

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

3) Other operating transactions

		<b>For the Three Months Ended March 31</b>		
		<b>2021</b>	<b>2020</b>	
Non-operating income - other income				
Others		\$ <u>198</u>		\$ <u>227</u>
Manufacturing and operating expenses				
Others		\$ <u>865</u>		\$ <u>1,358</u>
Operating expenses - donations				
Hiwin Education Foundation		\$ <u>9,000</u>		\$ <u>3,500</u>
		<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
4) Notes receivable				
Others		\$ <u>2,077</u>	\$ <u>693</u>	\$ <u>402</u>
5) Trade receivables				
Associates		\$ 18,301	\$ 8,854	\$ 33,603
Others		<u>4,069</u>	<u>7,357</u>	<u>24,645</u>
		\$ <u>22,370</u>	\$ <u>16,211</u>	\$ <u>58,248</u>
6) Other receivables (classified as other current assets)				
Others		\$ <u>229</u>	\$ <u>231</u>	\$ <u>202</u>
7) Trade payables				
Others		\$ <u>155,960</u>	\$ <u>111,356</u>	\$ <u>126,636</u>
8) Other payables				
Others		\$ <u>-</u>	\$ <u>1,165</u>	\$ <u>392</u>
c. Acquisition of property, plant and equipment				

		<b>Purchase Price For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Others		\$ <u>2,100</u>	\$ <u>3,000</u>

d. Lease arrangements

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

	<b>For the Three Months Ended March 31</b>		
	<b>2021</b>	<b>2020</b>	
<u>Acquisition of right-of-use assets</u>			
Others	\$ 18,533	\$ -	
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Lease liabilities</u>			
Others	\$ 19,137	\$ 2,051	\$ 5,247
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
<u>Finance costs</u>			
Others		\$ 40	\$ 20

e. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 86,829	\$ 54,723
Post-employment benefits	190	683
Other long-term employee benefits	-	1,060
	<u>\$ 87,019</u>	<u>\$ 56,466</u>

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

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	\$ 16,083,438	\$ 16,297,167	\$ 16,612,501
Notes receivable	174,731	162,350	-
Right-of-use assets	74,681	75,682	74,836
Pledged deposits (classified as other current assets)	<u>10,000</u>	<u>2,000</u>	<u>2,000</u>
	<u>\$ 16,342,850</u>	<u>\$ 16,537,199</u>	<u>\$ 16,689,337</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of March 31, 2021, December 31, 2020 and March 31, 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$234,941 thousand, \$186,454 thousand and \$190,490 thousand, respectively.
- b. As of March 31, 2021, December 31, 2020 and March 31, 2020, commitment for acquisition of property, plant and equipment amounted to \$1,621,465 thousand, \$722,762 thousand and \$1,195,417 thousand, respectively.

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

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

	March 31, 2021			December 31, 2020		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 21,821	28.535	\$ 622,654	\$ 19,309	28.480	\$ 549,928
EUR	30,261	33.48	1,013,138	25,457	35.02	891,513
JPY	2,174,041	0.2577	560,250	2,081,325	0.2763	575,070
RMB	1,004,938	4.344	4,365,449	1,102,378	4.377	4,825,108
Non-monetary items						
USD	804	28.535	22,955	804	28.480	22,910
ILS	14,544	8.525	123,986	13,639	8.740	119,202
<u>Financial liabilities</u>						
Monetary items						
USD	3,309	28.535	94,410	2,871	28.480	81,765
EUR	1,862	33.48	62,329	1,563	35.02	54,743
JPY	531,539	0.2577	136,978	497,249	0.2763	137,390
RMB	4,941	4.344	21,466	3,688	4.377	16,140



<b>March 31, 2020</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,856	30.225	\$ 509,483
EUR	32,402	33.24	1,077,037
JPY	1,807,008	0.2788	503,794
RMB	716,837	4.255	3,050,142
Non-monetary items			
USD	5,017	30.225	151,639
ILS	12,071	8.508	102,702
<u>Financial liabilities</u>			
Monetary items			
USD	2,466	30.225	74,535
EUR	1,390	33.24	46,219
JPY	99,694	0.2788	27,795
RMB	1,502	4.255	6,391

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

<b>Foreign Currencies</b>	<b>For the Three Months Ended March 31, 2021</b>		<b>For the Three Months Ended March 31, 2020</b>	
	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>
NTD	1 (NTD:NTD)	<u>\$ 118,534</u>	1 (NTD:NTD)	<u>\$ 26,098</u>

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  - 9) Trading in derivative instruments. (Notes 7 and 26)
  - 10) Other: intercompany relationships and significant intercompany transactions. (Table 7)
  - 11) Information on investees. (Table 8)
- 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 9)
  - 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 5 and 7)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

### 32. SEGMENT INFORMATION

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

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

	<b>Three Months Ended March 31</b>			
	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Linear guideways	\$ 3,818,250	\$ 2,291,501	\$ 666,115	\$ 92,864
Ballscrews	1,182,813	783,558	133,044	(1,214)
Others	990,384	539,008	11,531	(177,102)
Total from continuing operations	<u>\$ 5,991,447</u>	<u>\$ 3,614,067</u>	810,690	(85,452)
Finance costs			(45,435)	(60,888)
Share of profit of associates accounted for using the equity method			9,690	6,868
Interest income			2,042	3,576
Other income			25,223	16,853
Other expenses			(1,971)	(2,379)
Net foreign exchange loss			(127,894)	(47,301)
Valuation gain (loss) on financial assets (liabilities) at FVTPL			<u>(5,125)</u>	<u>918</u>
Profit (loss) before income tax			<u>\$ 667,220</u>	<u>\$ (167,805)</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the three months ended March 31, 2021 and 2020.

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

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 254,500	\$ 254,500	\$ 254,500	1.49%	1	Sales \$374,009	-	\$ -	-	\$ -	\$ 4,193,432	\$ 8,386,865
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	52,902	24,460	24,460	1.49%	1	Sales 406,413	-	-	-	-	4,193,432	8,386,865

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

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

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

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

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

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

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix	Subsidiary	\$ 2,795,622	\$ 78,700 (GBP 2,000)	\$ 78,460 (GBP 2,000)	\$ 47,076 (GBP 1,200)	\$ -	0.3%	\$ 9,784,676	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	2,795,622	502,200 (EUR 15,000)	502,200 (EUR 15,000)	108,045 (EUR 3,227)	-	1.8%	9,784,676	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	2,795,622	2,250,000	2,250,000	1,973,000	-	8.0%	9,784,676	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	2,795,622	171,210 (USD 6,000)	171,210 (USD 6,000)	57,926 (USD 2,030)	-	0.6%	9,784,676	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	2,795,622	342,420 (USD 12,000)	342,420 (USD 12,000)	161,223 (USD 5,650)	-	1.2%	9,784,676	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	2,795,622	1,724,250 (JPY 6,690,920)	1,724,250 (JPY 6,690,920)	1,595,058 (JPY 6,189,591)	-	6.2%	9,784,676	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	2,795,622	1,100,000	1,100,000	720,000	-	3.9%	9,784,676	Yes	-	-

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

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

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

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

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,889	-	\$ 2,889	
	<u>Shares</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,431,363	1,490,155	8	1,490,155	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	45,181	3	45,181	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,850	-	2,850	
	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	35,767	19	35,767	

Note: For information on the investments in subsidiaries and associates, see Tables 8 and 9.

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Hiwin Japan	Kobe Technology Factory	2021.3.23	\$ 1,075,850 (JPY 4,033,920)	\$ -	Obayashi Corporation	None	-	-	-	\$ -	Vendor bidding	Plant construction	-

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin China	Subsidiary	Sale	\$ (937,371)	(20%)	O/A 120 days	\$ -	-	\$ 1,207,939	21%	
	Hiwin Germany	Subsidiary	Sale	(274,220)	(6%)	O/A 90 days	-	-	267,871	5%	
	Hiwin Italy	Subsidiary	Sale	(108,073)	(2%)	O/A 180 days	-	-	272,033	5%	
	Hiwin Japan	Subsidiary	Sale	(125,398)	(3%)	O/A 150 days	-	-	254,346	4%	
Hiwin China	The Corporation	Parent company	Purchase	937,371	90%	O/A 120 days	-	-	(1,207,939)	(94%)	
Hiwin Germany	The Corporation	Parent company	Purchase	274,220	56%	O/A 90 days	-	-	(267,871)	(73%)	
Hiwin Italy	The Corporation	Parent company	Purchase	108,073	85%	O/A 180 days	-	-	(272,033)	(88%)	
Hiwin Japan	The Corporation	Parent company	Purchase	125,398	85%	O/A 150 days	-	-	(254,346)	(97%)	

Note: Significant intercompany accounts and transactions have been eliminated.



## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 254,346	2.11	\$ -	-	\$ -	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	255,667	-	-	-	29,439	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	267,871	4.11	-	-	106,331	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	272,033	1.47	-	-	10,764	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	24,775	-	-	-	24,775	-
	Hiwin China	Subsidiary	Trade receivables from related parties	1,207,939	3.42	-	-	246,518	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	104,118	3.10	-	-	25,840	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	113,108	3.09	-	-	8,558	-
	Eterbright	Subsidiary	Trade receivables from related parties	129,623	(Note 2)	-	-	4,694	-

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: Eterbright recognized payables for purchase of equipment in the balance sheets.

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details				
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets	
0	The Corporation	Hiwin Germany	1	Sales	\$ 274,220	O/A 90 days	5	
			1	Trade receivables	267,871	O/A 90 days	1	
		Hiwin Japan	1	Sales	125,398	O/A 150 days	2	
			1	Trade receivables	254,346	O/A 150 days	1	
		Hiwin China	1	Other receivables	255,667	-	1	
			1	Sales	937,371	O/A 120 days	16	
		Hiwin Italy	1	Trade receivables	1,207,939	O/A 120 days	2	
			1	Sales	108,073	O/A 180 days	2	
		Hiwin USA	1	Trade receivables	272,033	O/A 180 days	1	
			1	Other receivables	24,775	-	-	
		Hiwin Korea	1	Sales	77,547	O/A 120 days	1	
			1	Trade receivables	104,118	O/A 120 days	-	
		Hiwin Schweiz	1	Sales	72,149	O/A 180 days	1	
			1	Trade receivables	113,108	O/A 180 days	-	
				1	Sales	44,371	O/A 60 days	1
				1	Trade receivables	21,685	O/A 60 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 \$152,501 thousand.

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,946,303	\$ 89,873	\$ 89,873	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	686,842	38,358	38,358	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	(7,730)	(44,533)	(44,533)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	156,815	19,271	7,709	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	(741,170)	(131,690)	(97,675)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	8,271	9,948	9,948	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(88,789)	(3,225)	(3,225)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	728,094	603,244	14,656,075	50	203,240	(37,772)	(18,775)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,701	(10)	(10)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	104,014	14,284	14,284	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	249,262	(14,916)	(14,178)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	173,513	14,676	14,676	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	66,758 (EUR 1,994)	(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	43,084	14,676	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

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

Note 3: For information on investments in mainland China, see Table 9.

## HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 240,065 (USD 8,413)	(Note 1)	\$ 19,256 (USD 804)	\$ -	\$ -	\$ 19,256 (USD 804)	\$ (3,824)	19	(Note 3)	\$ 35,767	\$ 110,732 (USD 3,614)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	42,708	100	\$ 42,708 (Notes 4 and 6)	1,757,496 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(95)	50	(48) (Notes 4 and 6)	2,079 (Note 6)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	(839)	50	(421) (Notes 4 and 6)	2,307 (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,517,296 (USD 804 and RMB 300,000)	\$ 1,574,283 (USD 9,500 and RMB 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and RMB 2,000)	\$ 23,123 (USD 439 and RMB 2,000)	\$ 58,733 (Note 5)

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

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

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

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

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

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

**TABLE 10****HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,177,669	6.70%

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

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