

2021 Annual Report

HIWIN TECHNOLOGIES CORP.

2022 . 6 . 10

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I. Letter to shareholders

To HIWIN's shareholders:

The global economic growth rate was 5.5% in 2021 and major economies have gradually recovered from the severe impact of the COVID-19 pandemic. HIWIN responds to changes in the market and meets customers' needs with fast, flexible and adaptive scheduling capabilities. Consolidated revenue in 2021 reached NT\$27.265 billion, which is a sharp increase of 28.2% compared with 2020, and it is the second highest recorded revenue in the history of our company. HIWIN continues to launch high-end new products and electromechanical integration system services to provide customers with smart manufacturing solutions. Through long-term innovation and global outreach, HIWIN has demonstrated its strong operational strength!

Semiconductors, AI, medical equipment, electric vehicles and smart equipment all require precision machinery to achieve reliability. HIWIN's transmission products and electromechanical integration total solutions are important aspects in driving the upgrade of precision machinery and the practice of smart manufacturing for customers. HIWIN's high-precision wafer robot and Equipment Front End Module (EFEM) have been sold in Taiwan, Europe, America, Japan, South Korea and other Asian countries, helping semiconductor factories to accelerate the building of production lines. In addition, micro-miniature linear slides, ballscrews and harmonic reducers are swiftly supplied to global medical equipment factories, providing precision medicine and making contributions to global epidemic prevention. In addition, a key breakthrough has been made in the electric vehicle industry. HIWIN has successfully installed the Torque Motor revolving table in a major Japanese automotive equipment manufacturer to improve the efficiency and quality of its precision five-axis processing machines. Automotive ballscrews are used in advanced driver assistance systems (ADAS) and play an important role in the steering, braking, and suspension systems of electric vehicles. We work with multiple world-class automakers and the products listed above are expected to gradually contribute to revenue starting from 2023. In particular, the i4.0BS smart ball screw actively promotes the upgrading of smart equipment around the world, providing innovative services to customers, and welcoming in a new era of smart manufacturing.

HIWIN accelerates its global reach and provides localized services to enhance competitiveness in the post-pandemic era. For the year 2021, this includes the construction and preparation of subsidiary firms' new factories in Japan and Italy, the completion of the second factory in Suzhou, the launching of the U.S. subsidiary's second automated warehouse, and the continual expansion of factories in Taichung and Yunlin, laying down the foundation for medium and long-term growth.

In terms of the Company's business performance and branding, HIWIN has continued to be a recognized firm both domestically and abroad: EFEM has the uniqueness of key component self-production and system integration technology, and won the 2021 Taiwan Excellence Award – Silver Award. The ultra-miniature linear slide won the Taiwan Excellence Award. For two years in a row, HIWIN was selected as one of the top 25 international brands in

Taiwan. The Company is also in the top 5% of listed companies in the 7th Corporate Governance Assessment, and won double silver awards from the TSAA Taiwan Sustainable Action Award: the "Economic Development Award - Silver Award" and the "Social Inclusion Award - Silver Award". In addition, the Company has also received the TCSA Taiwan Corporate Sustainability Award "Comprehensive Performance - Taiwan TOP50 Sustainable Enterprise Award" and "Corporate Sustainability Report - Platinum Award". What's more, the Company also won the "Sustainable Resilience-Outstanding Award" from the British Standards Institution (BSI). These awards are the results of the HIWIN team's long-term efforts in R&D and operations.

The Swiss World Economic Forum (WEF) predicts that in 2022, there will be risks such as extreme climate, staple merchandise crisis, climate policy errors and infectious diseases. HIWIN will continue to achieve sustainable development, and is committed to the sustainable management of corporate ESG. Looking forward to 2022, it is expected to be a year full of variables but also full of new opportunities. HIWIN will continue to develop, create value for customers with the advantages of smart manufacturing and the Group's mechanical and electrical integration services. This will contribute to a better quality of life and the well-being of mankind. We look forward to working with all shareholders, business circles, financial circles and government officials, and hope for their continued support and advice in 2022. We also hope that the HIWIN team will achieve greater success!

2021 Business Plan Implementation Results are as follows:

i. 2021 Business Report

(i) Business Plan Implementation Results

Based on the 2021 consolidated financial statement, the Net Operating Revenue was at NT\$ 27,265,162,000 which is 28% higher than 2020's NT\$ 21,266,659,000. The Operating Income was at NT\$ 5,114,593,000 with 195% increase from 2020's NT\$ 1,732,474,000. Pre-tax income was at NT\$ 4,474,820,000 (NT\$ 3,154,693,000), 94% higher than 2020's NT\$ 2,303,471,000. Meanwhile, the Consolidated Net Income Attributed to Stockholders of the Company was at NT\$ 3,532,230,000 which increased by 83% as compared to 2020's NT\$ 1,929,730,000. Earnings per share rose by 78% from 2020's NT\$ 5.87 to NT\$ 10.36.

(ii) Financial Revenues and Expenditures and Profitability Analysis

1. Financial Revenues and Expenditures

Unit: NT\$ thousands

Item	Year	2021 Number of Certification of Finance	
		Amount	Percentage
Net Operating Revenue		NT\$ 27,265,162	%
Cost of Goods Sold or Manufacturing		NT\$ 17,449,754	64%
Gross Profit		NT\$ 9,815,408	36%
Operating Expenses		NT\$ 4,700,815	17%

Operating Income	NT\$ 5,114,593	19%
Net Non-operating Expenses	NT\$ 639,773	2%
Income before Tax	NT\$ 3,154,693	12%
Consolidated Net Income Attributed to Stockholders of the Company	NT\$ 3,532,230	13%

Note: This is a consolidated financial statement. The company did not disclose a budget plan in 2021, therefore no disclosure of the budget.

2. Profitability Analysis

Item	Year	2021
Return on Asset (%)		6.65 %
Return on equity (%)		11.30 %
Profit Before Tax to Capital Stock (%)		131.31 %
Profit Margin (%)		11.57 %
Earnings Per Share (dollar)		NT\$ 10.36

(iii) Research and Development

1. The R&D funding in 2021 equivalent to 4% of the revenue. There were 173 patent applications and 197 patent certifications acquired. Until the end of 2021, we have acquired a total of 2,246 valid patent certifications.
2. The R&D achievements in the fields of metal, steel, and precision machinery rank first in Taiwan, continue to lead, and place 88th in patent notification certification among domestic corporations in the top 100 Intellectual Property Office by the Ministry of Economic Affairs in 2021.
3. Equipment Front End Module (EFEM) won the 30th Taiwan Excellence Silver Award presented by the Ministry of Economic Affairs.
4. R&D Results:
 - (1) Completed the development of ball screw for braking systems
 - (2) Development of the next-generation smart linear slide i4.0GW prototype
 - (3) Completed prototype development of composite high-speed turntable
 - (4) Mass production of the new generation lower body strength training machine MRG-P110
 - (5) Completed the R&D of the wafer robot E-series and proceeded to mass production

ii. 2022 Business Plan Outline

(i) Business principle

1. Develop high-end smart manufacturing and electromechanical integration products, transform and upgrade, and drive revenue growth.
2. Consolidate the strength of the group and global partners to provide solutions for customers with the need for electromechanical integration services.
3. Intelligent manufacturing and precise management in the factory to improve profitability.
4. Boost the brand value of HIWIN with R&D innovation, high-quality products, and professional services.
5. Further global deployment, integrate resources, increase business momentum, and provide rapid electromechanical integration services locally.

(ii) Estimated sales numbers and basis

1. 2022 Estimated Sales Numbers are as follow:

Unit: thousand units

Product Type	Sales Amount
Ballscrews	2,300 - 2,400
Linear Guideway	31,700 - 33,000
Industrial Robotics	3,800 - 4,100

2. Basis:

In accordance with global economy trend, operating environment in various industries, market demand and supply and competitive situation, analysis business developments of current clientele and development progress of potential clients, and consider various factors including production and sales balance as basis, to estimate the sales numbers of 2022.

(iii) Important production and sales policy

1. Develop a torque rotary table to provide upgrade solutions for equipment manufacturers and metal processors.
2. Boost the marketing of high-end new products as well as electromechanical products to offer variety and competition.
3. Integrate HIWIN products, establish automation templates, and cooperate with system integration partners to provide industrial intelligent automation services.
4. Advance and expedite the supply of components, robotic arms, and system components to the semiconductor industry to overcome material shortages in the industry.
5. Real-time material/production/sales adjustment to ensure delivery competitiveness and healthy inventory management.

(iv) Future developing strategy

1. Develop and integrate the total solutions system portfolio of the group's electromechanical products, and provide customers with original and intelligent manufacturing services.
2. Develop the Torque Motor rotary table, the new main product of high-end five-axis machine tools, to aid equipment and manufacturing industries in making upgrades.
3. Further invest in the research and development of smart machinery technology and expand the industrial applications of i4.0 BS/i4.0 GW.
4. Continue to develop in the semiconductor industry and become its core supply partner for upstream, midstream and downstream.
5. Venture into the automobile production line and electric vehicle supply chain to explore new business opportunities for the company.
6. Advance global distribution and system provider bases, and increase variety with the full product service of electromechanical integration.
7. Promote expansion of factories around the world and intensify production capacity and services.
8. Post pandemic, restructure the industrial supply chain and expedite the development of markets in Eastern Europe and Southeast Asia.

(v) Effects on external competition environment, regulation environment, and overall operation environment

Due to the continuous outbreak of COVID-19 variants in 2022, governments have adopted epidemic prevention policies of different scales thus affecting the direction of global economic growth. Meanwhile, the war between Russia and Ukraine has affected the supply of raw materials such as wheat, oil and natural gas, resulting to higher risk of disruptions in the supply chain. The price of energy, commodities, and shipping rates has also risen with the risk of inflation as a result.

On the other hand, the global energy and power curtailment crisis, and the impact of carbon reduction and net emissions have gradually become more important across all fields. Major international forecasting agencies believe that the global economy will continue to grow in 2022, but the growth rate will slow down as compared to 2021. This is a pressing issue for all industries. In addition, there are other issues that business owners are concerned about which include, but are not limited to, the industrial ecology of the post-epidemic economy, such as the growing demand for semiconductors, the business opportunities in the ESG circular economy, the speed of electric vehicle development of global automakers as well as the development of the global supply chain during the ongoing war between Russia and Ukraine. The above factors have key roles in bringing about new playing field for related industries.

At present, other factors in leading the development of the global market include the pandemic's impact on different countries' policies and the Russian-Ukrainian war among other political factors. Moreover, many variables with significant impact on the global economy include how the results of the Russian-Ukrainian war will affect the supply of raw materials and energy policies, as well as the direction and scope of the US-China trade conflict, the shortage of labor and issues in supply chain post-pandemic in the United States, the changes in China's economic growth, the strength of Europe's recovery from the COVID-19 pandemic, the strategic direction of the new German Chancellor after taking office, Japan's involvement in the ASEAN-5 countries, and the development of the Indian market.

HIWIN continues to monitor the advancements in the environment and aims to deploy the group's electromechanical integration and high-end smart products into the global service network as soon as possible. We are actively developing circular economic business opportunities and are fully prepared to face the economic development trends and global localized supply in the post-pandemic era. Although 2022 is full of uncertainties, it is also full of valuable opportunities. HIWIN will make steady progress, seize the first opportunities available, and expand the scope of its business.

HIWIN Technologies Corp.

Best Regards

Chuo, Wen-Hen, Chairman

II. Company Profile

1. Establishment Date

- 1989 ● Established in October.

2. Company History

- 1992 ● Set up a subsidiary in USA.
● Acquired ISO 9001 certification through SGS, UK.
- 1993 ● Acquired HOLZER and set up a subsidiary in Germany.
● Acquired Aircraft Quality Systems Approval by McDonnell Douglas Corp., USA.
● Precision Ballscrew Awarded the 1st “Taiwan Excellence Silver Award”.
- 1996 ● Merged with Finest Ballscrew Company, Taiwan
- 1997 ● Acquired ISO 14001 certification from TÜV Germany
- 1999 ● Linear Bearing Awarded the 7th “Taiwan Excellence Gold Award”.
● Strategic alliance formed with Parker Hannifin, USA.
● Set up a subsidiary in Japan.
- 2000 ● HIWIN Germany reinvested HIWIN Switzerland
● Awarded the “Excellence Award” of the 8th “Industrial Technology Advancement Award” from MOEA.
● Awarded the 1st “Industrial Excellence Award” by MOEA.
● HIWIN Linear Guideway was Awarded the 8th “Taiwan Excellence Award”.
● Ranked 79 in Top Patents 100 of National Institutional Corps in Taiwan.
- 2001 ● HIWIN Germany reinvested HIWIN Czech Republic.
● High Speed Ballscrew Awarded 9th “Taiwan Excellence Silver Award”.
● Ranked 816th in Top 1,000 Manufacturers 2001 by Common Wealth Magazine.
- 2002 ● Self-lubricated Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
● Awarded the Gold Medal of the 11th “National Invention Award” by MOEA.
● Awarded “Outstanding Promoter” of “National Award of Excellence-Taiwan”.
● Ranked 65 in Top 100 Patents of National Institutional Corps in Taiwan.
● Ranked 855 in Top 1,000 Manufacturers 2002 by Common Wealth Magazine.
● Acquired OHASA 18001 Occupational Safety and Health Certificate by TÜV Germany.
- 2003 ● Precision Linear Module was awarded the 11th “National Product Image Gold Award”.
● Purchased a land with an area of 15,332 tsubo in Yun-Lin Science Industrial Park and built plant in the first phase.
● Ranked 734 in Top 1,000 Manufacturers 2003 by Common Wealth Magazine.
- 2004 ● Awarded “Most Outstanding” of the 12th “Industrial Technology Advancement Award” by MOEA.
● Continued the expansion of the new factory in Yun-Lin Science Industrial Park and started production.
● R&D Center in Tokyo, Japan was founded.
● Hosted the first HIWIN THESIS AWARDS.
● Ranked 603 in Top 1,000 Manufacturers 2004 by Common Wealth Magazine.
- 2005 ● Awarded the 2 Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
● All-Electric Injection Molding Machine Ballscrew was awarded the 11th “National Product Image Gold Award”.

- Selected “Enterprise Citizen” by Common Wealth Magazine.
 - Ranked 79 in Top 100 Patents of National Institutional Corps in Taiwan.
 - Ranked 552 in Top 1,000 Manufacturers 2005 by Common Wealth Magazine.
 - 2006 ● Won First Place in the competition of acquiring new land in Taichung Precision Machinery & Innovation Park planned by Taichung City Government among over 500 companies and got a land of 12,665 tsubo.
 - Awarded the 3 Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
 - Super S Ballscrew Awarded the 14th “Taiwan Excellence Silver Award”.
 - New factory started in Chicago, US.
 - Ranked 40 in Top 100 Patents of National Institutional Corps in Taiwan.
 - Ranked 513 in Top 1,000 Manufacturers 2006 by Common Wealth Magazine.
 - 2007 ● Ranked 4 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
 - Selected as the benchmarking company in “Flagship Enterprise Development Project” by MOEA.
 - Groundbreaking for the new headquarter in Taichung Precision Machinery & Innovation Park.
 - Acquired new land and started new plant in Tanzi.
 - Acquired ISAT certification from Applied Material (USA) and became a qualified supplier.
 - Ranked 32 in Top 100 Patents of National Institutional Corps in Taiwan.
 - HIWIN Germany acquired new factory and land with an area of about over 2000 square meters to merge with the old plant and expand production capacity.
 - RG Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
 - Ranked 440 in Top 1,000 Manufacturers 2007 by Common Wealth Magazine.
 - 2008 ● Ranked 3 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
 - 105,214 m² land in Dapumei Intelligent Industrial Park Registered.
 - E2 Series Awarded the 16th “Taiwan Excellence Gold Award”.
 - Awarded the Industry Contribution Award of “National Invention Award” 2008 from Intellectual Property Office, MOEA.
 - Hosted the first HIWIN Intelligence Robotic Competition.
 - Ranked 36 in Top 100 Patents of National Institutional Corps 2008 in Taiwan.
 - Obtained the certification of Taiwan Occupational Safety & Health Management System (TOSHMS).
 - Ranked 380 in Top 1,000 Manufacturers 2008 by Common Wealth Magazine.
 - 2009 ● Ranked 3 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
 - Energy Conservation Driving Module R1 Series was Awarded the 17th “Taiwan Excellence Gold Award”.
- Stocks are listed for public trading
- Awarded Taiwan Superior Brands Award 2009 by Bureau of Foreign Trade, MOEA.
 - CEO was honored the Gold Merit winner of National Innovation Award (Individual Category) by Intellectual Property Office, MOEA.
 - Honored with the Excellent Corp. Award for Reserve Military Officer by Ministry of National Defense.

- 20th anniversary of HIWIN.
 - Reinvested MegaFabs Motion Systems LTD in Israel.
 - Ranked 33 in Top 100 Patents of National Institutional Corps 2009 in Taiwan.
 - Ranked 471 in Top 1,000 Manufacturers 2009 by Common Wealth Magazine.
- 2010
- Additional 29,514 m² land in Dapumei intelligent Industrial Park Registered, total land area reaching 45,286 m².
 - Energy Conservation Driving Module SK Series Awarded the 18th “Taiwan Excellence Gold Award”.
 - Ranked 59 in Top 100 Patents of National Institutional Corps 2010 in Taiwan.
 - Received the 2 Contribution Award for Job Creation 2010 from Executive Yuan.
 - Honored with the Contribution Award for Providing Job Opportunities to Veterans by Executive Yuan.
 - Received the Contribution Award for Job Creation from Taichung City Government.
 - Awarded the National Champion Award by MOEA for committing public facilities green landscaping, and employing specialists for long term maintenance.
 - Ranked 3rd in Top 1,000 Manufacturers 2010 by Common Wealth Magazine.
 - Ranked 2 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- 2011
- Received Contribution Award for Job Creation from Executive Yuan.
 - Energy-Saving & Thermal-Controlling Ballscrew C1 Series Awarded the 19th “Taiwan Excellence Gold Award”.
 - Awarded Taiwan Top 100 Brands by Bureau of Foreign Trade, MOEA.
 - Awarded the first “Monte Jade Innovation Award” by Monte Jade Science and Technology Association.
 - Awarded the first “Taiwan Green Classic Award” by MOEA.
 - Awarded Taiwan Top 10 Innovative Enterprises 2011 by MOEA.
 - Awarded National Enterprises Innovation Award.
 - Received the “Taiwan Train Quality System-Enterprise TTQS” Silver Award.
 - Hosted 1st Annual HIWIN Doctoral Dissertation Award.
 - CEO was honored with the Management of Technology Award from Chinese Society for Management of Technology.
 - CEO was honored with SUPER MVP Manager of the year from Manager Today Magazine.
 - CEO was awarded the Honorary Doctor of Engineering from National Kaohsiung First University of Science & Technology.
 - CEO received the Honorary Professor glory from Dalian University of Technology.
 - Ranked 33 in Top 100 Patents of National Institutional Corps 2011 in Taiwan.
 - Ranked 223rd in Top 1,000 Manufacturers 2011 from Common Wealth Magazine.
- 2012
- Honored with the Contribution Award for providing job opportunities to alternative military service from Ministry of the Interior.
 - Acquired Greenhouse Gases Emissions ISO14064-1 Certificate.
 - Acquired Product Carbon Footprint PAS 2050 Certificate.
 - Ranked No.1 of the Best Business Performance from 2009~2011 by Common Wealth Magazine.
 - Awarded for the safety working environment record of continuously occupational accidents or injuries free by Council of Labor Affairs.
 - Ranked the No.21 of the Taiwan “2012 Excellence in Corporate Social Responsibility”

under the category of large-scale enterprise by Common Wealth Magazine.

- Recirculation Divide Ballscrew RD Series Awarded with the 20th “Taiwan Excellence Gold Award”.

- The new HIWIN Global Headquarter and R&D Center were officially opened.

- Forbes 2012 Honor “200 Best Under a Billion”.

- Awarded “Taiwan Top 20 Innovative Enterprises” in 2012 by Ministry of Economic Affairs.

- TTQS Certificate of Taiwan Train Quality System Enterprise Version Gold.

- CEO was awarded the Honorary Doctor of Business Administration from National Chung Cheng University.

- Ranked 257 in Top 1,000 Manufacturers 2012 from Common Wealth Magazine.

- CEO was awarded the 6th National Excellence Manager Outstanding Achievement Award by Chinese Professional Management Association

- Associate Vice President Dr. Jerry Chiu was awarded the 30th National Excellence R&D Manager Award.

- Operational Headquarters Received the honor of “Taichung Outstanding Healthy Workplace” by Bureau of Health Promotion, Department of Health, ROC.

2013 ●Awarded the first Taiwan Mittelstand Award.

- Crossed Roller Bearing Series Awarded with the 21st “Taiwan Excellence Gold Award” .

- Received the “Taiwan Train Quality System-Enterprise TTQS” Gold Award.

- Acquired ISO13485 certification.

- Honored with the SGS Merit Award by SGS Yarsley Ltd., UK.

- Awarded “Taiwan Top 20 Innovative Enterprises” by Ministry of Economic Affairs.

- CEO was awarded the Honorary Alumnus with Golden Eagle Award by Tamkang University.

- Started Management Associate Program to develop international marketing talents.

- HIWIN signed the Industry-Academy Collaboration contract with Taichung Industrial High School and National Taiwan University of Science and Technology, to foster the future leaders.

- “Chuo Yung-Tong Memorial Library” donation contract signing ceremony was held in Dec. 2013. th

- HIWIN released the first “Corporate Social Responsibility Report”.

- Subsidiaries in Singapore, South Korea, and Italy, were founded.

- Ranked 259 in Top 1,000 Manufacturers 2013 from Common Wealth Magazine.

2014 ●Tangential External Recirculation Ballscrew Super T Series Awarded with the 22nd “Taiwan Excellence Gold Award”.

- Introduced the Toyota Production System (TPS) for improvement.

- Ranked No.50 of “The World’s Most Innovative Growth Companies 2014” by Forbes.

- HIWIN was selected as No.1 weighted component in the investment benchmark Index “The ROBO-STOX Global Robotics & Automation Index “among 81 promising worldwide companies.

- HIWIN established collaborative research centers with National Tsing Hua University.

- HIWIN-MPEI (Moscow Power Engineering Institute) Precision Electrical Engineering Research Center established.

- HIWIN teamed up with industrial computer supplier Advantech Co.

- Stone ceremony for the second factory of HIWIN GmbH was held.

- Awarded Taiwan Top 20 Innovative Enterprises by MOEA.
 - HIWIN Robotic Gait Training System acquired the CE Medical Devices Certificate.
 - Subsidiary in Suzhou, China, was founded.
 - Held the groundbreaking ceremony of “Chuo Yung-Tong Memorial Library”.
 - Awarded the “Taiwan Corporate Sustainability Awards (TCSA)” and honored with “Social Inclusion Award”.
 - Selected as one of the favorite enterprises for R&D alternative service.
 - Acquired the Certification of Taiwan Intellectual Property Management System (TIPS).
 - Ranked 227th in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.
- 2015
- Acquired 48% stake in Luren Precision Co., Ltd.
 - Acquired the certification of ISO 50001 Energy Management System.
 - Ranked No.37 of “The World’s Most Innovative Growth Companies 2015” by Forbes.
 - Robotic Gait Training System MRG-P100 Awarded with the 23rd “Taiwan Excellence Gold Award”.
 - General Manager Enid Tsai was honored “50 Power Businesswomen in Asia” by Forbes, the only one from Taiwan.
 - Released “Corporate Social Responsibility Report” 2013~2014 and acquired AA1000 certification.
 - Awarded Taiwan Corporate Sustainability Awards (TCSA) and Growth through Innovation Awards.
 - Ranked the No.31 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
 - Cooperated with China Medical University to set up a R&D Center.
 - Entered Top 20 Innovative Companies selected by MOEA.
 - Started a new project of “Jingke Plant II”.
 - Held the groundbreaking ceremony of dormitories of Taichung City Precision Machinery Innovation Technology Park.
 - CEO was awarded an honorary doctorate of philosophy from National Tsing Hua University and an honorary doctorate of engineering from Taiwan University of Technology.
 - Ranked 220nd in Top 1,000 Manufacturers 2015 from Common Wealth Magazine.
- 2016
- Rated as No.5 in Top100 Global Growth Enterprises by Nikkei Business Publications.
 - Held cornerstone-laying ceremony for a new plant of HIWIN China.
 - Ranked in the top 5 percent of listed companies in the 2th Corporate Governance Evaluation.
 - The single axis robot module (HM series) won iF and Red Dot awards.
 - Delta Robot, a parallel one, won Taiwan Excellence Silver Award.
 - CEO Ranked 25th in Top 50 Taiwanese CEOs 2015 selected by Harvard Business Review.
 - Signed a memorandum with IRCAD/AITS on “Robotic Endoscope Holder” surgery training courses and promotion.
 - Chairman Eric Y. T. Chuo received an honorary doctorate of science from China Medical University.
 - CNC rotating table achieved EU CE certification.
 - HIWIN and Etron signed a memorandum.
 - HIWIN, HIWIN MIKROSYSTEM and Global MEMS signed a memorandum.

- Awarded “The 17 National Standardization Award” by the Bureau of Standards, Metrology & Inspection, MOEA.
 - New factory started in the 2 factory area in HIWIN Germany.
 - Awarded “Taiwan Corporate Social Award”, “Taiwan Corporate Social Award-People Development Awards”, and the “Gold Award of Top 50 Taiwan Corporate Sustainability Reports” by Taiwan Institute for Sustainable Energy.
 - HIWIN and Siemens signed a memorandum.
 - Held the groundbreaking ceremony of a new factory in Chiayi Dapumei Precision Machinery Park.
 - Robotic Gait Training System achieved SNQ certification and won the bronze medal of “National Biotechnology & Medical Care Quality Awards”.
 - General Manager Enid Tsai won Kwol-Ting Li’s Management Award.
 - Assistant General Manager Wu Yueqin was selected as Excellent Accountant.
 - Executive Assistant Manager Liao Kehuang won National Manager Excellence Award.
 - Executive Assistant Manager Chen Congren National Production Manager Excellence Award.
 - Ranked the No.14 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
- 2017
- Signed a contract “Exported Litchi Cultivation Pattern and Value-Added Key Preservation Technology” with National Chung Hsing University and Taiping District Farmers’ Association.
 - Wafer Robot won the 25 Taiwan Excellence Silver Award.
 - Ranked in the top 5 percent of listed companies in the 3 Corporate Governance Evaluation.
 - Ranked 201 in Top 1,000 Manufacturers 2016 from Common Wealth Magazine.
 - Obtained market license from TFDA for the “Bath Assistive Equipment”
 - Ranked as No.1 in ASIA 300 Index for 179% market value increased rate in one year by Nikkei Business Publications.
 - Awarded 2017 “Good Design Award” in Japan for the electric gripper.
 - Awarded “Sustainable Practice Award” by BSI Standard.
 - Held the ceremony of new plant started in HIWIN China.
 - Held the opening ceremony for “Chuo Yung-Tong Memorial Library”.
 - CG series won the 26 Taiwan Excellence Silver Award.
 - Acquired the Certification of Taiwan Intellectual Property Management System (TIPS) for 4 years in a row.
 - Awarded Gold in Taiwan Corporate Sustainability Awards (TCSA) in Electronic Information Manufacturing Group.
 - CEO was awarded Outstanding Award in the 4 National Intelligence Award.
 - General Manager Enid Tsai was recognized in the 35 National General Manager Award.
- 2018
- Ranked in the top 5 percent of listed companies in the 4 Corporate Governance Evaluation.
 - Ranked 163rd in Top 1,000 Manufacturers 2017 from Common Wealth Magazine.
 - Ranked 534 in Top 1,000 market value in Cross-Strait 2018 from Business Today.
 - The endoscope supporting robotic arm MTG-H100 series was awarded the Gold Medal of the 27th Taiwan Excellence Award
 - The micro ballscrew Super Z series, was awarded the Silver Medal of the 27th Taiwan Excellence Award

- Received the Certificate of the Taiwan Intellectual Property Management System
 - The Equipment Front End Module received the SEMI S2 international safety provisions certification
 - The smart ballscrew i4.0BS was awarded the 2018 International Innovation Award
 - Received the TCSA's "Top 50 Comprehensive Performances Award", "Individual Performance-Innovative Growth Award", "Individual Performance- Gender Equality Award", "Individual Performance- Talent Development Award", and the Gold Medal for the "Reporting Category - Electronic Information Manufacturing Group"
 - Received the "Outstanding Sustainability Award" from the British Standards Institution
 - Received an A grade certificate of the Japanese Sumitomo Group's hard labor evaluation
 - The subsidiary in Germany received the "Best Supplier Award" from HELLER
 - HIWIN signed a memorandum of cooperation with Gyeonggi-do, South Korea
 - Received the Ministry of the Interior Alternative Service Excellence Award
 - HIWIN Group's President Chuo,Yung-Tsai was recognized by the Harvard Business Review as the 8th most powerful Taiwanese CEO of 2018
 - HIWIN Group's President Chuo,Yung-Tsai was named an honorary professor by National Chin-Yi University of Technology
 - Senior Manager Chiang, He-Shen was selected as Excellent Accountant
 - Collaborated with Mr. Wang-Tse in the Taiwan Design Exhibition, with the HIWIN robotic arms demonstrating their "two arms three kettles" brewing techniques
 - Funded the key module for the Earth's largest mechanical flower "Listen to the Blossoms" at the Taichung World Flora Exposition
 - HIWIN Robotics collaborated with the National Taiwan Orchestra and dance groups, in a stage performance of "What Happened?"
 - HIWIN Robotics integrated inter-departmentally with National Taiwan University of Arts, in the stage performances of "DaDa's Dream Music Note" and "Island Times"
 - HIWIN Robotics collaboratively promoted the "Greater Taichung Lychee Value-Adding Preservation Key Technique" project with National Chung Hsing University and the Taiping District Farmers' Association, and held the "Taichung Promotional Event of Beautiful Lychee" in Tokyo, Japan, making an effort for Taiwanese Agriculture
- 2019
- The third-generation cooling ballscrew received the Outstanding Award of the Statistics Monitoring Machine Tool Key Components Category at the 2019 14th Annual Machine Tools "R&D Innovative Products" Competition
 - Passed the Occupational Health and Safety Management System's ISO 45001 International Standards Certification
 - Ranked 124th in CommonWealth Magazine's 2018 "1,000 Biggest in the Manufacture Industry"
 - Ranked 869th in Business Today's 2019 "1,000 Biggest Three Places Across The Strait"
 - Received a ranking of the 9th Place of the CommonWealth Magazine's "2000 Biggest Enterprises", Top 50 Best Operation Performances in Manufacture
 - The linear guideway was awarded the Gold Medal of the 2018 National Creative Invention Award
 - Ranked 16th in Nikkei's ASIA 300
 - Ranked in Forbes Magazine's Best 200 Enterprises in Asia 2019
 - Won the 2019 CommonHealth Magazine's "CHR Healthy Corporate Citizen" Innovation Award.

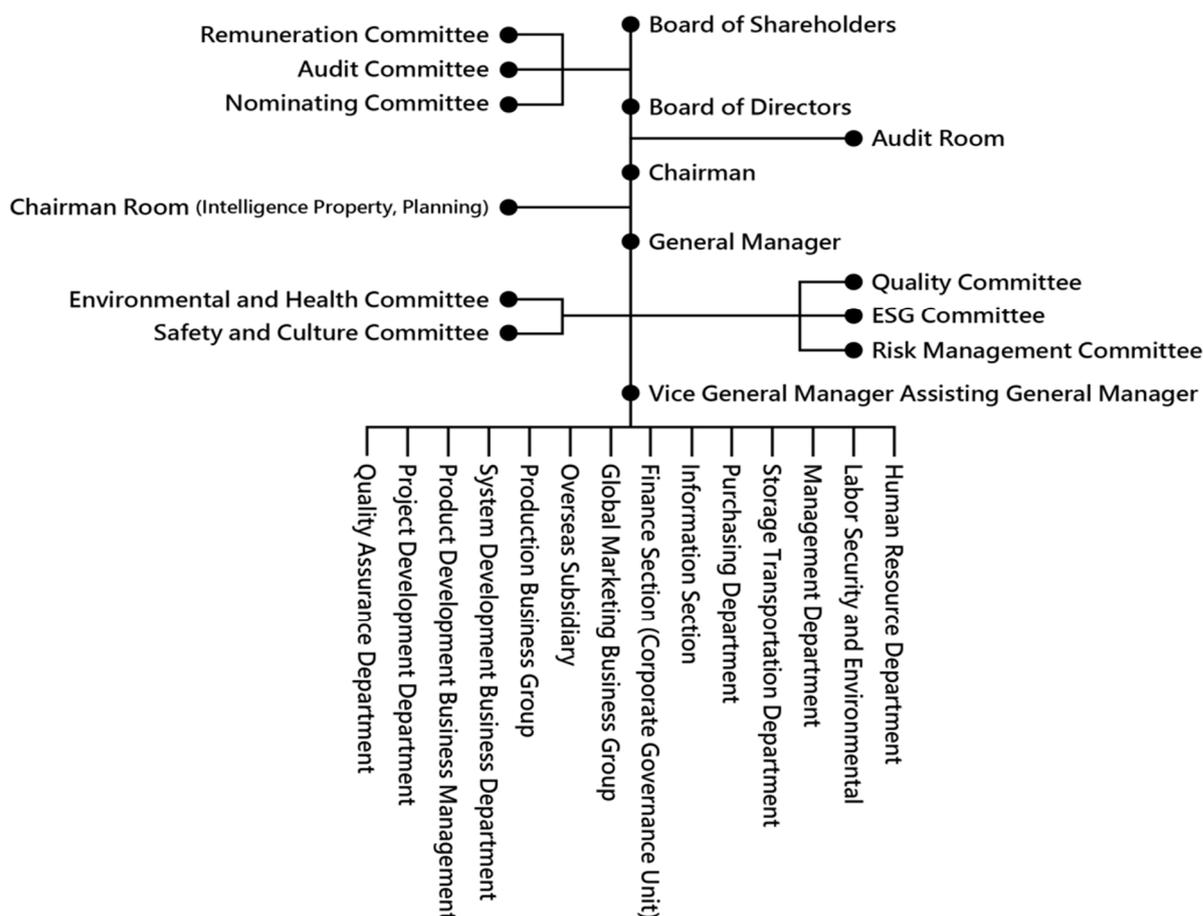
- President Chuo Yung Tsai won the "Entrepreneur of the Year Award" from Enterprise Asia
 - Received the "Gold Trade Award" of the Best Trade Contribution Award from the Bureau of Foreign Trade of the Ministry of Economic Affairs in 2018.
 - Won the 2019 Taiwan International Brand Star of Potential.
 - Won the "Gold Award" and the "Jury Special Award" of the 14th Arts and Businesses Award from the Ministry of Culture.
 - The WUT / WTI series of harmonic reducer won the Gold Medal of the 28th Taiwan Excellence Award.
 - Won the TCSA Taiwan Enterprise Sustainability Award "Comprehensive Performance Award-Taiwan TOP50 Sustainability Enterprise Award", "Single Performance Award-Social Inclusion Award" and "Corporate Sustainability Report Award-Gold Medal".
 - Won the "Sustainable Excellence Award" from British Standards Association.
 - Integrated with the National Taiwan Symphony Orchestra and Dance Dance in a cross-disciplinary manner, and performed the "Dialogue of Technology and Art" stage show at the Taichung National Opera House.
 - The HIWIN lower limb strength training machine won the 2019 International Innovation Award.
- 2020
- When the National Team of Mask Equipment of Taiwan is formed, we participate in the first time. We are the pioneer of pandemic prevention of the mask manufacturing team.
 - Common Wealth Magazine ranked 173rd in the "Top 1000 Manufacturing Industries" in 2019.
 - Ranked 29th in the 2020 CSR Top 100 Corporate Citizens of Common Wealth Magazine.
 - The President of HIWIN Group Zhuo Yongcai was ranked 17th in the Harvard Business Review's 2020 Taiwan Top 100 CEOs, and has been honored and affirmed for three consecutive years.
 - Automotive precision ball screws have obtained IATF 16949 automotive quality management system certification, which is an active layout for entering the new-generation automotive supply chain.
 - Cooperate with China Medical University to join the R&D Center and signed the second five-year plan to continue to cultivate more medical professionals.
 - Won the 24th award of 2020 Taiwan's best international brand by the Ministry of Economic Affairs.
 - Won the TCSA Taiwan Enterprise Sustainability Award "Taiwan Top Ten Sustainability Model Companies Award", "Taiwan Enterprise Sustainability Report-Platinum Award", "Single Performance-Innovation Growth Award" and "Single Performance-Talent Development Award".
 - Won the "Outstanding Resilience Award" from the BSI British Standards Institute.
 - Cooperate with the affiliated hospital of Sun Yat-Sen Medical University to create the first "MIT Robotic Arm Clinical Surgery Teaching Field" in Taiwan. It is hoped that more people can be benefited in the future, regardless of rich or poor, who can enjoy precision medicine.
 - i4.0BS intelligent ball-screw won the 29th Taiwan Excellence Award [Silver Award]; the high-precision Torque Motor rotary table RAS-170 was selected for the 29th Taiwan Excellence Award.
 - Passed the ISO 14046 Water Footprint Verification.
- 2021
- Included in the top 5% of the listed companies in the 7th Corporate Governance Evaluation.
 - Ranked 15th in the Top 200 Resilient Enterprises and listed among the Top 100 V-shaped Comebacks in the World of *CommonWealth Magazine*.
 - Ranked 163rd in the "Top 1000 Manufacturing Industries" in 2020 by *CommonWealth Magazine*.
 - Chosen as a constituent stock of the TWSE Corporate Governance 100 Index.
 - The Japanese subsidiary's Kobe Factory held a groundbreaking ceremony on the 31st of May 2021.
 - Expansion of HIWIN Yunlin Science and Technology Park by 9,900 square meters, with the groundbreaking ceremony held on July 29th.
 - HIWIN DATORKER harmonic reducer received the Innovative Application R&D Category - Robot and Key Component R&D Group Special Award at the First "Award of Robotic System Integration" (ARSI) in 2021 from the Industrial Bureau of MOEA.

- HIWIN i4.0BS intelligent ball screw received the Innovative Application R&D Category - System Integration Application Group Special Award at the First "Award of Robotic System Integration" (ARSI) in 2021 from the Industrial Bureau of MOEA.
- Section Chief Huang Kuo-Cheng received the Talent Category - Outstanding Engineer Award at the First "Award of Robotic System Integration" (ARSI) in 2021 from the Industrial Bureau of MOEA.
- Director Wu Wen-Chia received the Talent Category - Outstanding Team Leadership Award at the First "Award of Robotic System Integration" (ARSI) in 2021 from the Industrial Bureau of MOEA.
- Ranked 35th in the Top 100 Enterprises for Sustainability of *CommonWealth Magazine*.
- The Italian subsidiary was ranked Top 4 among the Top 25 component manufacturers in Italy in June 2021 by TECNOLOGIE MECCANICHE, the foremost magazine of the Italian machine tool industry.
- Won the TSAA Taiwan Sustainability Award - Best Action Plan, Social Inclusion - Silver Award, and Economic Development - Silver Award.
- Won the "Top 100 Taiwan Carbon Reduction" Award in the 2021 Business Weekly survey.
- Received the "Sustainable Resilience Outstanding Award" from the British Standards Institute (BSI).
- Won the Taiwan Corporate Sustainability Award (TCSA) "Comprehensive Performance Award - Taiwan Top 50 Sustainable Enterprises Award" and the "Taiwan Corporate Sustainability Report - Platinum Award".
- Received the 2021 "CHR Health Corporate Citizenship" Progress Award from *CommonWealth Magazine*.
- President Chuo Yong-Tsai personally presided over the ESG start-up meeting in October 2021 and the HIWIN ESG team was officially established.
- HIWIN Group President Chuo Yong-Tsai was awarded the "Third Taiwan Precision Engineering Medal" by the Taiwan Precision Engineering Society (TSPE).
- Equipment Front End Module (EFEM) ultra-miniature linear slides won the 30th Taiwan Excellence Silver Award.
- Received the Top 25 Best International Brands in Taiwan Award from MOEA in 2021.
- Yunlin Science and Technology Park Factory bagged the 2021 Annual Health Promotion Excellent Workplace Award of Yunlin County.

III. Corporate Governance Report

i. Organization System

(i) Organization Chart



(ii) Operating Functions of Each Main Department

- **Audit Office**
Corporate management risk assessment and normal audit
- **Chairman Room**
Setting of business objectives, promotion of major plans, business performance appraisal and analysis, activity planning, brand and legal management, and intellectual property management
- **Human Resource Department**
Planning, management, selection, training and retention of human resource, and educational training
- **Labor Security and Environmental Protection Department**
Having specific responsibility for environmental protection and health, labor safety and health, and plant safety management
- **Management Department**
Building and maintaining the general affairs management system
- **Financial Section**
Budgeting and capital planning, financial affairs, accounting and taxation planning, and evaluation management of overseas subsidiaries reinvestment companies
- **Purchasing Department**
Domestic procurement of production equipment and raw materials
- **Storage and Transportation Department**
Warehouse management of raw materials, semi-finished products and finished products, and product shipping

- **Information Section**
Information system planning, software development, safety and operation of maintenance information network system
- **Global Marketing Business Group**
Marketing management, market survey, new product planning, market expanding, customer service and foreign procurement
- **Overseas Subsidiary**
Marketing management, market survey, new product planning, market expanding, customer service and product processing and manufacturing
- **Production Business Group**
Manufacturing of products, including ball screws, linear guideway, linear bearing, special bearing and robots
- **System Development Business Group**
Equipment development, design, assembling and maintenance, system product development and manufacturing, and plant electric system maintenance
- **Product Development Business Group**
Research and development of new products and subsystem products, drawing design, and customers' technology consulting
- **Project Development Department**
Research and development of major new products and equipment, and project planning and implementation
- **Quality Assurance Department**
Product quality system building, implementation and auditing, and quality control.

ii. Information of Directors and Major Managers

(i) Information of Directors

April 30th 2021

Unit: Shares: %

Title	Nationality or Place of Registration	Name	Gender and Age	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position in This Company and Other Companies	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Director or Supervisor			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Taiwan	Chuo, Wen-Hen	M 51-60 years old	20190628	3 Years	19930816	6,112,237	2.03%	6,828,702	2.00%	206,000	0.06%	-	-	Master of Business Administration at Dominican University Executive Vice President of HIWIN Technologies CORP	Co-CEO of HIWIN Technologies CORP Chairman of: -Matrix Precision Co. - HIWIN Investment and Holding Corp. -HIWIN Corporate Management Company Co-Chairman of: -Eterbright Solar Corporation Director of HIWIN Japan Director of: -HIWIN America -HIWIN Singapore -HIWIN South Korea -HIWIN Italy -Matrix Corp UK -HIWIN Education Foundation -Everfortune A.I.(Legal Representative)	Director	Eric Y. T. Chuo	Father and Son	Note 1

Co-Chairman	Taiwan	Chen, Chin-Tsai	M 71-80 years old	201906 28	3 Years	19891203	4,180,956	1.39%	3,933,376	1.15%	3,205,993	0.94%	-	-	Chairman of: WIN Semiconductors Corp., -ITEQ Corporation - Wen An Investment Co., Ltd. (Legal Representative) -Wen Chan Investment Co., Ltd. (Legal Representative) - Phalanx Biotech Group (Legal Representative) - WinLux Biomedical Technology (Legal Representative) Director of: - Mercuries Life Insurance Co., Ltd. (Legal Representative) -i-Chainwin Technology Co., Ltd. - Taiwan New Economy Foundation Independent director at: -Kinsus Interconnect Technology Corp. - Tong Hsing Electronic Industries Limited - Inventec Besta Co., Ltd. Supervisor at - Excellence Sporting Goods Co., Ltd. - Comax Sporting Goods Co., Ltd.	-	-	-	-
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Director	Taiwan	Chuo, Yung-Tsai	M 71-80 years old	201906 28	3 Years	19890926	13,453,495	4.48%	10,972,759	3.22%	1,261,814	0.37%	-	-	<p>Master of Management at University of San Francisco</p> <p>-Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology</p> <p>-Honorary Doctor of Management at National Chung Cheng University</p> <p>-Honorary Doctor of Engineering at Taiwan University of Technology</p> <p>-Honorary Doctor of Philosophy at National Tsing Hua University</p> <p>-Honorary Doctor of Science at China Medical University</p> <p>- Chairman of Matrix Precision Co.</p> <p>-Legal Representative and Chairman of HIWIN Mikrosystem Corp.</p>	<p>CEO of HIWIN Technologies CORP</p> <p>Chairman of: -HIWIN America -HIWIN Germany -Eterbright Solar Corporation Legal representative vice chairman and CEO of HIWIN Mikrosystem Corp. Director at: - Matrix Precision Co. Legal Representative and Co-CEO -HIWIN Singapore -HIWIN South Korea -HIWIN China -HIWIN Investment Corporation -HIWIN Education Foundation</p>	Chairman	Chuo Wenheng	Father and Son
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Director	Taiwan	Tsai, Hui-Chin	F 61-70 years old	201906 28	3 Years	19890926	4,372,885	1.45%	4,000,010	1.21%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy Legal Representative Director of Matrix Precision Co. General and co-CEO of HIWIN Technologies CORP. Chairman of: -HIWIN Healthcare -CEO of HIWIN Education Foundation Chairman of HIWIN Japan Director of: -HIWIN America -HIWIN China -HIWIN Investments -Taiwan Design Research Institute - Precision Machinery Research Development Center (PMC)	-	-	-	Note 1	
Director	Taiwan	Lee, Shun-Chin	M 61-70 years old	201906 28	3 Years	19891203	7,394,267	2.46%	8,261,391	2.50%	18,882	0.01%	-	-	Certification of completion in high level management at UC Berkeley Certification of completion in EMBA at Feng Chia University Chairman of: -Zhengjie Enterprise Limited -Naqiang Limited -Zhengyung Limited -Yungqiang (Legal Representative) Director of: -Eterbright Solar Corporation -HIWIN Mikrosystem Ltd.(Legal Representative)	-	-	-		
Director	Taiwan	Sanko Investments Ltd.	-	201906 28	3 Years	20040630	4,011,651	1.33%	4,051,209	1.22%	-	-	-	-	-	Director of East Steel Co., Ltd. Director of Taiwan Steel Tower Co., Ltd.	-	-	-	

		Representative: Huang Ching-Yi	F 51-60 years old	20190928		20190928	3,288	0.00%	313	0.00%	-	-	-	-	Fu Jen University Graduated from Department of International Trade Virginia, United State Old Dominion University, MBA	Chairman of: - Sanko Investments Ltd. - Taipei Sanxing Charity Foundation Supervisor of: -Sun Rich Steel Industrial Co., Ltd. -Ming Tsang Investment Co., Ltd.	-	-	-	-
Independent Director	Taiwan	Chiang, Cheng-Ho	M 61-70 years old	20190628	3 Years	20080624	-	-	-	-	235,309	0.07%			Master of Administration at National Chengchi University Chief Auditor, Board of Directors, Taiwan Financial Holdings Co., Ltd	Member of the company's Audit Committee Member of the company's Remuneration Committee Convener of the company's Nominating Committee				
Independent Director	Taiwan	Chen, Ching-Huey	F 61-70 years old	20190628	3 Years	20160628	-	-	-	-	-	-	-	-	Department of Business, College of Law, National Taiwan University Deputy Chief Auditor, Board of Directors, Mega International Commercial Bank	Member of the company's Audit Committee Member of the company's Remuneration Committee Member of the company's Nominating Committee	-	-	-	
Independent Director Chairman	Taiwan Taiwan	Tu, Li-Ming	F 71-80 years old	20190628	3 Years	20170628	-	-	-	-	-	-	-	-	Graduated from Business Administration Department of Tamkang University Deputy COO, North District 1 Operations Center, Mega International Commercial Bank	Member of the company's Audit Committee Member of the company's Remuneration Committee Member of the company's Nominating Committee	-		-	

Note 1: The chairman and the general manager or the equivalent (the top manager) are the same person, and are spouses, or relatives within the first degree: none

1. Primary Shareholders of Institutional Shareholders

April 30th, 2022

Name of Institutional Shareholders	Main Shareholders	
Sanko Investments Limited	Huang Chin-Yi	33.33%
	Huang Yi-Cang	33.33%
	Huang Xiao-Yu	33.33%

2. Information of Directors

Name	Requirement	Professional qualifications and experience	Conformity to Independence	The number of other public companies where posts of independent directors are held by these people
Chairman: Chuo, Wen-Hen		For information regarding the professional qualifications and experiences of the directors, please refer to "Information of Directors" (pp. 14-16). None of the directors are involved in any of the situations set forth in Article 30 of the Company Act. (Note 1)	N/A	0
Deputy Chairman: Chen, Chin-Tsai				3
Director: Chuo, Yung-Tsai				0
Director: Tsai, Hui-Quing				0
Director: Lee, Shun-Chin				0
Director: Representative of San HsinInvestment Co.Ltd.: Huang, Jing-Yi				0
Independent Director: Chiang, Cheng-He			<ol style="list-style-type: none"> Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" (Note 2). 0.07% of the company's shares are held by the person, their spouse, minor children or in the name of others. The person has not provided business, legal, financial, accounting and other services to the company or its affiliated enterprises in the last two years. 	0
Independent Director: Chen, Ching-Huey			All of the independent directors comply with the following: <ol style="list-style-type: none"> Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" (Note 2). The person, their spouse, and minor children do not hold any of the company's shares in their name nor in the name of others. The person has not provided business, legal, financial, accounting and other services to the company or its affiliated enterprises in the last two years. 	0
Independent Director: Tu, Li-Ming				0

Note 1: Anyone who is involved in any one of the following circumstances shall not serve as a manager, and those who have already served shall be dismissed:

1. Has committed a crime stipulated in the Organized Crime Prevention Regulations, and has been convicted, but has not yet started serving the sentence, or the sentence is yet to be completed, or five years have not passed since the date the sentence was completed, the probation sentence expired, or the person was pardoned.
2. Committed a crime of fraud, breach of trust, or embezzlement leading to a sentence to fixed-term imprisonment of more than one year, and has not yet started serving the sentence, or the sentence is yet to be completed, or two years have not passed since the date the sentence was completed, the probation sentence, or the person was pardoned.
3. Committed a crime under the Anti-Corruption Act and has been convicted and and has not yet started serving the sentence, or the sentence is yet to be completed, or two years have not passed since the date the sentence was completed, the probation sentence, or the person was pardoned.
4. Those who have been declared bankrupt or have been ordered to start liquidation procedures and whose rights have not been reinstated.
5. Banned from using negotiable instruments for transactions and the ban has not yet expired.
6. Those who are incapacitated or have limited capacity.
7. Declaration of assistance has not been revoked.

Note 2:

1. Not a government agency, corporation, or its representative set forth in Article 27 of the Company.
2. Acting as an independent director of no more than three public offering companies.
3. During the two years before the election and during the term of office, none of the following circumstances exist:
 - (1) Acting as an employee of the Company or other affiliates.
 - (2) Acting as a director or supervisor of the Company or other affiliates.
 - (3) Self and spouse, minor children, or other natural person shareholders holding more than 1% of the total issued shares of the company in the name of others or the top ten shareholders.
 - (4) Managers listed in (1) or the spouse of personnel listed in (2), (3), relatives within the second degree, or the blood relatives within the third degree.
 - (5) Directors, supervisors or directors of corporate shareholders who directly hold more than 5% of the company's total issued shares, top five shareholders, or appointed representatives to act as company directors or supervisors in accordance with Article 27 of the Company Act.
 - (6) Directors, supervisors or employees of other companies who are controlled by the same person as many than half of the shares or voting rights.
 - (7) Directors, supervisors, or employees of other companies or institutions that are the same person or spouse with the company 's chairman, general manager or equivalent.
 - (8) Directors, supervisors, managers or shareholders of specific companies or institutions that do not have financial or business dealings with the company or holding more than 5% of shares.
 - (9) Professionals, sole proprietorships, partnerships, companies or institutions that provide audits for the company or affiliated companies or business, legal, financial, accounting and other related services that exceed NT\$ 500,000.00 in cumulative compensation in the past two years, including business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Remuneration Committee are not limited to this.

(ii) Information of General Managers, Vice General Managers, Assistant Managers, and Directors of Departments and Branches

April 30th, 2021

Title	Nationality or Registration Place	Name	Gender	Date of Assumption of Duty (Note 1)	Shares Held		Shares Held Now by Spouse and Minor Children		Shares Held under the Names of Others		Main Experiences (Education Background)	Posts Held in Other Companies Now	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Manager			Notes
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chief Executive Officer	Taiwan	Chuo, Yung-Tsai	M	20190628	10,972,759	3.22%	1,261,814	0.37%	-	-	Master of Management at University of San Francisco Honorary Doctor of Management at National Chung Cheng University Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Engineering at Taiwan University of Technology Honorary Doctor of Philosophy at National Tsing Hua University Honorary Doctor of Science at China Medical University Legal Representative and Chairman of HIWIN Mikrosystem Corp.	Chairman of: -HIWIN America -HIWIN Germany - Eterbright Solar Corporation Legal Representative, Co-Chariman and CEO of HIWIN Mikrosystem Corp. Director of: -Legal Representative and Co-CEO of Matrix Precision Co. -HIWIN Singapore -HIWIN South Korea -HIWIN Investment Corporation -HIWIN Education Foundation	Chairman	Chuo, Wen-Hen	Father and Son	

Chairman and co-CEO	Taiwan	Chuo, Wen-Hen	M	20190628	6,828,702	2.00%	206,000	0.06%	-	-	Master of Business Administration at Dominican University Deputy General Manager of HIWIN Technologies	Chairman of: -Matrix Precision Co., Ltd. -HIWIN Investment Corporation -HIWIN Corporate Management Company Vice Chairman of: -Eterbright Solar Corporation Director of HIWIN Japan Director of: -HIWIN America -HIWIN Singapore, -HIWIN South Korea, -Matrix Corp UK -Everfortune A.I.(Legal Representative) -HIWIN Education Foundation	Chief Executive Officer	Chuo, Yung Tsai	Father and Son	Note 1
General Manager and co-CEO	Taiwan	Tsai, Huey-Chin	F	20190628	4,120,010	1.21%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy Legal Representative and Director of Matrix Precision Co.	Chairman of: -HIWIN Healthcare -HIWIN Education Foundation and CEO -HIWIN Japan Director of: -HIWIN America -HIWIN China -HIWIN Investments - Taiwan Design Research Institute (TDRI) - Precision Machinery Research Development Center (PMC) and Managing Director	-	-	-	-

Senior Deputy General Manager of Finance Office	Taiwan	Wu, Yue-Qin	F	20200401	206,918	0.06%	-	-	-	-	Master of Business Administration at Feng Chia University Deputy General Manager of HIWIN Technologies	Legal Representative and Supervisor of HIWIN Technologies: -HIWIN China - Matrix Precision Co. Ltd.	-	-	-	
Deputy General Manager of Marketing Business Group	Taiwan	Peng, Yan-Qi	F	20211105	26,276	0.01%	-	-	-	-	Master of Information Engineering at University of Southern California Deputy General Manager of HIWIN Technologies	Chairman of HIWIN China	-	-	-	
Assistant General Manager of Chairman Room	Taiwan	Wu, Jun-Liang	M	20180201	22,151	0.01%	-	-	-	-	Master of Engineering at National Tsing Hua University Assistant Manager at HIWIN Technologies	-	-	-	-	
Assistant Manager of Chairman Room	Taiwan	Yang, Chuang-Bao	M	20200401	13,740	0.00%	21	0.00%	-	-	Master at Mechanics Institute of National Chung Hsing University Senior Assistant Manager at HIWIN Technologies	Director and General Manager of HIWIN Italy	-	-	-	
Assistant General Manager of System Development Businesses Office	Taiwan	Wang, Fu-Qing	M	20190301	47,988	0.01%	-	-	-	-	Doctor of Mechanics at National Chung Cheng University Assistant Manager at HIWIN Technologies	Deputy General Manager of Matrix Precisions Co., Ltd. Director of HIWIN Education Foundation	-	-	-	

Assistant General Manager of Finance Office	Taiwan	Liao,Ke-Huang	M	20170801	41,189	0.01%	-	-	-	-	Master at Accounting Institute of National Chung Hsing University Assistant Executive Manager at HIWIN Technologies	Director at: -HIWIN Italy -Legal Representative of HIWIN Mikrosystem Corp. -HIWIN Education Foundation Supervisor of: -HIWIN Japan -Eterbright Solar Corporation -Matrix Precisions Co., Ltd., Suzhou	-	-	-	
Executive Assistant Manager of Chairman's Office	Taiwan	Li,Wen-Bin	M	20210701	12,784	0.00%	-	-	-	-	Master of Mechanics at Feng Chia University Assistant Executive Manager at HIWIN Technologies	-	-	-	-	
Assistant Manager of Chairman's Office	Taiwan	Chiu, Shi-Rong	M	20211105	4,532	0.00%	5,672,853	1.66%	-	-	Master of Business Administration at University of Massachusetts Assistant Manager at HIWIN Technologies	General Manager and Director of HIWIN America	-	-	-	
Assistant Manager of Chairman's Office	Taiwan	Chen, Hong-Ming	M	20211105	10,374	0.00%	-	-	-	-	Graduated from the Department of Accounting, National Taiwan University Assistant Manager at HIWIN Technologies	General Manager of HIWIN China Director of Matrix Precisions Co., Ltd., Suzhou	-	-	-	

Note 1: Date of Assumption of Current Position

Note 2: The general manager or equivalent (the top manager) and the chairman are the same person, spouse or first degree relatives: none

Note 3: Incumbent at Date of the Report's Publication

(iii) Remunerations of Directors and Primary Managers in the Past Year

1. Remunerations of Directors (Including Independent Directors)

Unit: NTD Thousands

Title	Name	Directors' Remuneration								Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Relevant Remuneration Received by Directors Who Are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note 3)
		Remuneration (A)		Pension (B)		Directors' Remuneration (C)		Business Affairs Expense (D) (Note 1)		Salary, Bonus and Special Disbursement (E) (Note 2)		Pension (F)		Employee Remuneration (G) (Note 3)								
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	Cash Bonu s	Stoc k Bonu s	This Company	All Companies in the Financial Report	Cash Bonu s	Stoc k Bonu s	This Company	All Companies in the Financial Report	
Chairman	Chuo,Wen-Hen	-	-	-	-	NT\$ 39,569	NT\$ 39,569	NT\$ 360	NT\$ 455	1.13%	1.13%	NT\$ 21,220	NT\$ 23,620	NT\$ 72	NT\$ 72	NT\$ 4,000	-	NT\$ 4,000	-	1.85%	1.92%	None
Deputy Chairman	Chen,Chin-Tsai	-	-	-	-	NT\$ 26,379	NT\$ 26,379	NT\$ 240	NT\$ 240	0.75%	0.75%	-	-	-	-	-	-	-	-	0.75%	0.75%	
	Chuo,Yung-Tsai	-	-	-	-	NT\$ 13,189	NT\$ 13,189	NT\$ 120	NT\$ 19,967	0.38%	0.94%	NT\$ 26,546	NT\$ 29,146	NT\$ 192	NT\$ 192	NT\$ 3,500	-	NT\$ 3,500	-	1.23%	1.87%	NT\$ 15,469
Director	Tsai,Huey-Chin	-	-	-	-	NT\$ 39,569	NT\$ 39,569	NT\$ 360	NT\$ 439	1.13%	1.13%	NT\$ 19,605	NT\$ 19,605	NT\$ 110	NT\$ 110	NT\$ 3,000	-	NT\$ 3,000	-	1.77%	1.78%	NT\$ 120
	Lee,Shun-Chin Representative of San Hsin Investment Co.Ltd.: Huang, You-San	-	-	-	-	NT\$ 39,569	NT\$ 39,569	NT\$ 360	NT\$ 439	1.13%	1.13%	NT\$ 19,605	NT\$ 19,605	NT\$ 110	NT\$ 110	NT\$ 3,000	-	NT\$ 3,000	-	1.77%	1.78%	NT\$ 120
Independent Director	Chiang,Cheng -Ho	-	-	-	-	NT\$ 30,000	NT\$ 30,000	NT\$ 360	NT\$ 360	0.86%	0.86%	-	-	-	-	-	-	-	-	0.86%	0.86%	None
	Chen,Ching-Huey Tu,Li-Ming	-	-	-	-	NT\$ 30,000	NT\$ 30,000	NT\$ 360	NT\$ 360	0.86%	0.86%	-	-	-	-	-	-	-	-	0.86%	0.86%	None

1.Please state the policy, system, standards and structure of independent directors 'remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:
The remuneration of independent directors of the company refers to the company's overall operating performance, future risks and development trends of the industry, and also refers to the results of the performance evaluation standards and the contribution to the company to give reasonable remuneration. The salary and compensation committee makes recommendations to the board of directors for resolution.

2.In addition to the disclosures in the above table, the directors of the company have received remuneration for providing services for all companies in the financial report (such as serving as consultants for non-employees) in the most recent year: None.

Note 1: It includes the company car costs NT\$ 27,462,000 and excludes annual salaries of drivers NT\$ 2,418,000.

Note 2: Employee remunerations were NT\$ 297,411,000 in 2021, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Salary and business execution fee of Directors Chuo,Yung-Tsai and Lee,Shun-Chin as CEO and director of HIWIN Mikrosystem Corp.

Remuneration Interval of Directors and Independent Directors

Interval of Remunerations of Directors	Name of Directors			
	Total of First Four Remunerations(A+B+C+D)		Total of Latter Seven Remunerations(A+B+C+D+E+F+G)	
	This Company	All Companies in the Financial Report H	This Company	All Reinvestments of the Company I
Below NT\$ 1,000,000				
1,000,000 (Including) ~ 2,000,000 (Excluding)				
2,000,000 (Including) ~ 3,500,000 (Excluding)				
3,500,000 (Including) ~ 5,000,000 (Excluding)				
5,000,000 (Including) ~ 10,000,000 (Excluding)				
10,000,000 (Including) ~ 15,000,000 (Excluding)	Director: Tsai, Huey-Chin, Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-He, Chen, Ching-Huey, Tu, Li-Ming		Director: Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-He, Chen, Ching-Huey, Tu, Li-Ming	
15,000,000 (Including) ~ 30,000,000 (Excluding)				
30,000,000 (Including) ~ 50,000,000 (Excluding)			Directors: Tsai, Huey-Chin	
50,000,000 (Including) ~ 100,000,000 (Excluding)				
Above NT\$ 100,000,000				
Total	6 People	6 People	6 People	6 People

2. Remuneration of CEO, General Managers, and Vice General Managers

Unit: NTD Thousands

Title	Name	Remuneration (A)		Pension (B)		Bonus and Special Disbursement (C) (Note: 1)		Employee remuneration (D) (Note: 2)				Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note: 3)	
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report		
Chairman and CEO	Chuo, Yung-Tsai														
Chairman and co-CEO	Chuo, Wen-Hen														
General Manager and co-CEO	Tsai, Huey-Chin														
Senior Deputy General Manager of Finance Section	Wu, Yue-Qin	NT\$24,315	NT\$30,505	NT\$ 542	NT\$ 542	NT\$58,621	NT\$60,534	NT\$14,500	-	NT\$14,500	-	2.77%	3.00%	NT\$15,349	
Senior Deputy General Manager of Marketing Business Group	Peng, Yan-Qi														

Note 1: It includes the company car costs NT\$ 30,606,000 and excludes annual salaries of drivers NT\$ 2,418,000

Note 2: Employee remunerations were NT\$ 297,411,000 in 2021, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Remuneration of Chairman Chuo, Yung-Tsai as CEO of HIWIN Mikrosystem Corp.

Remuneration Interval of CEO, General Manager, and Deputy General Manager

Interval of Remunerations of General Managers and Deputy General Managers	Name of General Managers and Deputy General Managers	
	All Reinvestment Businesses of This Company	All Reinvestment Businesses of This Company
Below NT\$ 1,000,000		
1,000,000 (Including) ~ 2,000,000 (Excluding)		
2,000,000 (Including) ~ 3,500,000 (Excluding)		
3,500,000 (Including) ~ 5,000,000 (Excluding)		
5,000,000 (Including) ~ 10,000,000 (Excluding)	Wu,Yue-Qin	Wu,Yue-Qin
10,000,000 (Including) ~ 15,000,000 (Excluding)	Peng,Yan-Qi	Peng,Yan-Qi
15,000,000 (Including) ~ 30,000,000 (Excluding)	Chuo,Wen-Hen ,Tsai,Huey-Chin	Chuo,Wen-Hen ,Tsai,Huey-Chin
30,000,000 (Including) ~ 50,000,000 (Excluding)	Chuo,Yung-Tsai	Chuo,Yung-Tsai
50,000,000 (Including) ~ 100,000,000 (Excluding)		
Above NT\$ 100,000,000		
Total	5 People	5 People

3. Name of Managers Distributing Employee Remunerations and Distribution Status

April 30, 2022
Unit: NTD Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to to Net Profit After Tax (%) (%)
General Manager	CEO	Chuo, Yung-Tsai	-	NT\$ 18,624	NT\$ 18,624	0.53%
	Chairman and co-CEO	Chuo, Wen-Hen				
	General Manager and co-CEO	Tsai, Huey-Chin				
	Deputy General Manager of Finance Office	Wu, Yue-Qin				
	Senior Deputy General Manager of Marketing Business Group	Peng, Yan-Qi				
	Assistant General Manager of Chairman's Office	Wu, Chun-Liang				
	Assistant General Manager of Chairman's Office	Yang, Chuang-Bao				
	Assistant General Manager of Chairman's Office	Li, Wen-Bin				
	Assistant General Manager of Chairman's Office	Chiu, Shih-Rong				
	Assistant General Manager of Chairman's Office	Chen, Hong-Ming				
	Assistant General Manager of Finance Section	Liao, Ke-Huang				
Assistant General Manager of the System Development Businesses Office	Wang, Fu-Ching					

Note 1: Employee remunerations were NT\$ 297,411,000 in 2021, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 2: Incumbent at Date of the Report's Publication

(iv) Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers, and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report, and Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, Business Performance, and Future Risk:

1. Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report

Title	Item	Ratio of the Total Remuneration to the Net Profit After Tax			
		2021		2020	
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report
Director		6.46%	7.18%	7.62%	7.78%
CEO, General Manager and Deputy General Manager		2.77%	3.00%	4.51%	4.67%

Note 1. The net profit after tax belonging to the parent company in 2021 was NT\$ 3,532,230,000

Note 2. The net profit after tax belonging to the parent company in 2021 was NT\$ 1,929,730,000

Note 3. The total remuneration of directors includes the part of employees receiving relevant remuneration. Therefore, there is overlap with the calculation of the total remuneration of the chief executive, general manager and deputy general manager.

2. Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, and Business Performance and Future Risk:

- (1) Article 31 of the company's articles of association. If the company makes a profit in the year, the employee compensation shall be no less than 1% and the director compensation shall be no more than 4%. The amount of the appropriation shall be released after being reviewed by the Remuneration Committee and then submitted to the Board of Directors for discussion, and shall be submitted to the shareholders' meeting
- (2) The company sets the remuneration procedures for directors, general managers and deputy general managers, which is based on "director performance evaluation and remuneration system", "board performance evaluation method" and "manager performance evaluation and bonus system" as the basis for evaluation; directors In addition to referencing the company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the company and gives reasonable remuneration; the remuneration of the general manager and deputy general manager is based on "Salary and various treatment procedures", and take into account the relevance of the manager's personal performance and the company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, depending on the actual operating conditions and relevant laws Review the remuneration system to balance the company's sustainable operation and risk control.

iii. Implementation of Corporate Governance

(i) The Operation of Board of Directors

1. The Board of Directors held 5 meetings (A) in 2021. The actual attendance rate of all directors of the board is: $45/45=100\%$, individual director attendances are as follow:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Chairman	Chuo,Wen-Hen	5	0	100.0%	
Deputy Chairman	Chen,Chin-Tsai	5	0	100.0%	
Director	Chuo,Yung-Tsai	5	0	100.0%	
Director	Tsai,Huey-Chin	5	0	100.0%	
Director	Lee,Shun-Chin	5	0	100.0%	
Director	Representative of San Hsin Investment Co.Ltd.: Huang, Ching-Yi	5	0	100.0%	
Independent Director	Chiang,Cheng -Ho	5	0	100.0%	
Independent Director	Chen,Ching-Huey	5	0	100.0%	
Independent Director	Tu,Li-Ming	5	0	100.0%	

Other Essential Information:

1.If the operation of the board has any of the following situations, the board meeting’s date, motion period, discussion details, opinions from independent directors, and the company’s response should be noted :

(1)Items listed in Article 14-3 of the Securities Exchange Act

Date of Board Meeting (Period)	Motion Content	Opinions of the independent directors and measures taken by the company
2021.03.23 15 th Session of the 11 th Committee	Lifting directors’ and managers’ prohibition on competition	All independent directors passed the proposal without objection.
	Cash capital increase and endorsement guarantee of subsidiary Eterbright Solar Corporation	
	Cash capital increase and endorsement guarantee of subsidiary Matrix Precision Co., Ltd.	
	Endorsement guarantee for Italian subsidiary	
	Endorsement guarantee for Japanese subsidiary’s factory construction funds	
2021.05.05 16 th Session of the 11 th Committee	Endorsement guarantee for Japanese subsidiary	
	Subsidiary overdue account transfer funds loan case	
	Amendment to Endorsement Guarantee Procedures	
	Lifting directors’ prohibition on competition	
2021.06.28 17 th Session of the 11 th Committee	Building of new factory at Yunlin Technology Industrial Park	
	Capital increase for South Korean subsidy	
	Endorsement guarantee for subsidiary Eterbright Solar Corporation	
	Capital increase for Singaporean subsidy	
	Mechanical and electrical engineering plan for Yunlin Technology Industrial Park factory	
2021.08.05 18 th Session of the 11 th Committee	Capital increase for subsidiary MATRIX	
	Endorsement guarantee for subsidiary Eterbright Solar Corporation	
	Endorsement guarantee for subsidiary Matrix Precision Co.	
	Proposal for endorsement guarantee for South Korean subsidiary	
	Lifting directors’ and managers’ prohibition on competition	
	Japanese subsidiary overdue account transfer funds loan case	
2021.11.05 19 th Session of the 11 th Committee	Cash capital increase and endorsement guarantee for subsidiary Eterbright Solar Corporation	
	Endorsement guarantee for subsidiary Matrix Precision Co.	
	Endorsement guarantee for Japanese subsidiary’s factory construction	
	Endorsement guarantee for South Korean subsidiary	
	Endorsement guarantee for subsidiary MATRIX	
	Japanese subsidiary overdue account transfer funds loan case	

(2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors : There is no such case.

3. The implementation status of the independent directors' avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of the interests and the situation of participation in voting
- 2021.3.23 15th Session of the 11th Committee
Case of lifting ban on directors and managers' restriction of competition.
Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chuo, Wen-Hen and Chuo, Yung-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not harmed, it was passed without objection.
- 2021.05.05 16th Session of the 11th Committee
Case of lifting ban on directors' restriction of competition.
Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chen, Chin-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not risked, it was passed without objection.
- 2021.08.05 18th Session of the 11th Committee
Case of lifting ban on directors' and managers' restriction of competition.
Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chuo, Wen-Hen and Chuo, Yung-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not put at risk, it was passed without objection.

4. Implementation of the Board of Directors' self-assessment:

Assessment cycle	Assessment period	Assessment field	Assessment method	Assessment content
Once annually	2021.1.1 ~ 2021.12.31	Include Board of Directors, the entirety of the Functional Committee, and peer review among directors	Internal assessment by the Board of Directors and Functional Committee	1.Level of participation in the company's operations 2.Increase quality of the Board's decisions 3.Composition and structure of the Board 4.Appointment and refresher courses of directors 5.Internal control

5. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (for example, the establishment of an audit committee, the improvement of information transparency, etc.) and the assessment of implementation:
- (1) In order to promote corporate governance and effectively play the functions of the board of directors, the company has established a corporate governance supervisor in accordance with the "Points to be Followed for the Establishment and Exercising of the Board of Directors of Listed Companies".
- (2) In order to implement corporate governance and enhance the functions of the board of directors to establish performance targets to strengthen the efficiency of the operation of the board of directors, the company has completed the formulation of the board of directors performance evaluation method, and the evaluation will be executed before the end of the first quarter of each year. The results of the 2021 evaluation are excellent, and the board of directors will report the results of the implementation on February 25, 2022.
- (3) Adhering to the transparency of operations, safeguarding the rights and interests of shareholders, and proactively revealing important resolutions of the board of directors on the company's website.
- (4) The goal of board diversification: The company pays attention to the diversity of board members. When selecting directors, the company also nominates directors for consideration based on operational management capabilities, crisis management capabilities, financial accounting ... etc. In addition, the company also pays special attention to the diversity of gender equality. Among the 9 board members elected, 4 are female members, an increase of 1 more than the previous board of directors to implement the gender equality diversity policy.
- (5) The company upholds the attitude of information transparency and publishes important resolutions of the board of directors on the company's information observatory or company website for investors' enquiries. In principle, three legal person briefings are held annually for investors to obtain company-related information and increase investors' recognition. The company held three briefings in March, August, and November, respectively, in 2021.

(ii) The Operation of the Audit Committee:

The Audit Committee is formed by three independent directors. They are in charge of reviewing the content of the Company's financial statement, employing or deploying of the CPAs and its independence and performance, effectively implementing the Company's internal control, complying related laws and regulations, and controlling the potential or existing risk of the Company. Their main duties are as follow:

- (1) In accordance with Item 1, Clause 14 of the Securities and Exchange Act, establish or amend the Internal Control System Statement.
- (2) Evaluate the effectiveness of the Internal Control System Statement.
- (3) In accordance with Item 1, Clause 36 of the Securities and Exchange Act, establish or amend the procedure of significant financial business behaviors such as obtain or dispose assets, trade on derivative goods, capital loan to others, and endorse or guarantee for others.
- (4) Issues involving personal interests of the directors.
- (5) Major capital loans, endorsement, and guarantees.
- (6) The offering, issuance, or private placement of any equity-type securities.
- (7) Issue of securities with private equity.
- (8) Employment, deployment, and compensation of the CPAs.
- (9) Appointment on Finance, Accounting, and internal audit managers.
- (10) Annual and semi-annual financial reports
- (11) Other major issues under the regulations of the company or competent authority.

2021 Audit Committee Items of Discussion are included below:

- (1) Audit of financial statements and accounting policies and procedures.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Amend the handling procedures for acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, endorsing others or providing guarantees.
- (4) Matters related to directors' own interests.
- (5) Significantly obtained assets, capital loans and endorsement guarantees.
- (6) Raise or issue marketable securities.
- (7) Visa accountant qualifications, independence and competence.
- (8) Appointment and remuneration of visa accountants.
- (9) Appointment and removal of the head of finance, accounting and corporate governance.
- (10) Compliance.
- (11) Fraud prevention plan and fraud investigation.
- (12) Corporate risk management.

The Audit Committee held 6 meetings (A) in 2021, and the attendance of directors was as follows:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Independent Director	Chiang, Cheng-He	6	0	100%	
Independent Director	Chen, Ching-Huey	6	0	100%	
Independent Director	Tu, Li-Min	6	0	100%	

Other Essential Items:

1. The operation of the audit committee should include one of the following circumstances, the date, period, content of the bill, resolution of the audit committee, and the company's handling of the audit committee's opinions:

(1) Article 14 of the Securities Exchange Act 5 listed items

Date of Audit Committee Meeting (Period)	Motion Content	Audit Committee Decision Results	The company's handling of the opinions of the audit committee
2021.03.23 2nd Committee, 14th Session	2020 internal control system statements	The case was passed unanimously after inquiry from the host, submitted to the board for discussions	None
	2020 Business report and financial statements		
	2020 surplus transfer to capital		

	increase and issuance of new shares		
	Lifting directors' and their managers' prohibition on competition		
	Cash capital increase and endorsement guarantee for subsidiary Eterbright Solar Corporation		
	Cash capital increase and endorsement guarantee for subsidiary Matrix Precision		
	Endorsement guarantee for Italian Subsidiary		
	Endorsement guarantee for Japanese subsidiary's factory construction funds		
	Subsidiary overdue account transfer funds loan case		
2021.05.05 2nd Committee, 15th Session	Endorsement guarantee for Japanese subsidiary		
	Subsidiary overdue account transfer funds loan case		
	Amendment to Endorsement Guarantee Procedures		
	Lifting directors' prohibition on competition		
2021.06.28 2nd Committee, 16th Session	Building of new factory at Yunlin Technology Industrial Park		
	Capital increase for South Korean subsidiary		
	Endorsement guarantee for subsidiary Eterbright Solar Corporation		
	Endorsement guarantee for Singaporean subsidiary		
	Japanese subsidiary overdue account transfer funds loan case		
2021.08.04 2nd Committee, 17th Session	Mechanical and electrical engineering plan for Yunlin Technology Industrial Park factory		
	Capital increase for subsidiary MATRIX		
	Endorsement guarantee for subsidiary Eterbright Solar Corporation		

		Endorsement guarantee for subsidiary Matrix Precision Co.		
		Endorsement guarantee for South Korean subsidiary		
		Lifting directors and their managers' prohibition on competition		
		Japanese subsidiary overdue account transfer funds loan case		
	2021.8.5 2nd Committee, 18th Session	Consolidated financial statements for the second quarter of 2021		
	2021.11.04 2nd Committee, 19th Session	Cash capital increase and endorsement and guarantee for subsidiary Eterbright Solar Corporation		
		Endorsement guarantee for subsidiary Matrix Precision Co.		
		Endorsement guarantee for Japanese subsidiary's factory construction		
		Endorsement guarantee for South Korean subsidiary		
		Endorsement guarantee for subsidiary MATRIX		
		Japanese subsidiary overdue account transfer funds loan case		

- (2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: There is no such case.
2. The implementation status of the independent directors' avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of interests and the situation of participation in voting: there is no such situation.
3. Communication between independent directors, internal audit supervisors and accountants (should include major matters, methods and results of communication on the company's financial and business conditions):
- (1) A separate meeting between the CPA and the audit supervisor is held at least once a year to discuss the opinions regarding the completed internal audit led by the audit supervisor and the external audit led by the CPA, and to communicate based on items missing from the annual audit.
- (2) The internal audit supervisor should regularly report to the audit committee:
1. The annual internal auditing plan
 2. Regularly report to the Audit Committee on the implementation of internal audit matters
- (3) The CPA shall participate in meetings of the audit committee at least once every year and report the results of the annual audit.
- (4) Others: In the event of major abnormal circumstances, or matters that independent directors, audit supervisors and accountants deem necessary to communicate independently, meetings may be held at any time to facilitate communication.
- Independent director and internal audit supervisor:

Date	Members Present	Communication Focuses	Communication Results
2021.03.23 (Pre-meeting of Audit Committee)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	1. Report the audit focus and results to the independent directors 2. Issue the company's 2020 internal control system statement	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2021.05.05 (Internal Audit Director reports to Independent Directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	Report the audit focus and results to the independent directors	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.

2021.06.28 (Internal Audit Director reports to Independent Directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	Report the audit focus and results to the independent directors	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2021.08.05 (Internal Audit Director reports to Independent Directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	Report the audit focus and results to the independent directors	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2021.11.04 (Pre-meeting of Audit Committee)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	1. Report the audit focus and results to the independent directors 2. Formulate internal audit plan for 2022	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2022.02.25 (Pre-meeting of Audit Committee)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	1. Report the audit focus and results to the independent directors 2. Issue the company's 2021 internal control system statement.	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2022.05.10 (Internal Audit Director reports to Independent Directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming Audit Supervisor Chen, Shih-Chung	Report the audit focus and results to the independent directors	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.

Independent Director and CPA:

Date	Members Present	Communication Focuses	Communication Results
2021.03.23 (CPA reports to the independent directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming CPA Tseng, Tung-Chun	1. Accountants explain the results of the 2020 consolidated financial report and discuss the findings 2. The accountant reports to the independent directors on the results of the internal control review. 3. Accountants discuss and communicate issues raised by independent directors.	Through the audit committee to approve the annual financial statement and submit it to the board of directors for approval, Announce and report to the competent authority as scheduled.
2021.11.04 (CPA reports to the independent directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming CPA Tseng, Tung-Chun	1. Fraud matters assessment, significant risks and key verification matters report 2. Accountants discuss and communicate issues raised by independent directors	No objection after discussion.
2021.02.25 (CPA reports to the independent directors)	Independent Director Chiang, Cheng-He Independent Director Chen, Ching-Huey Independent Director Tu, Li-Ming CPA Tseng, Tung-Chun	1. Accountants explain the results of the 2021 consolidated financial report and discuss the findings 2. The accountant reports to the independent directors on the results of the internal control review. 3. Accountants discuss and communicate issues raised by independent directors.	Through the audit committee to approve the annual financial statement and submit it to the board of directors for approval, Announce and report to the competent authority as scheduled.

(iii) Implementation of Corporate Governance and its Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes:

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
1. Does the company set and disclose corporate governance best practice principles according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”?	V		This company sets its own “Corporate Governance Best Practice Principles” according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”; there are no major differences between its implementation and the principles it has set; it’ll continue to promote the implementation of corporate governance according to relevant provisions.	None
2. The Company’s shareholding structure and stockholders’ equity (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and treat them based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (3) Does the company establish and execute the risk management and firewall mechanisms between it and affiliated companies? (4) Does the company formulate internal regulations to prohibit insider trading?	V V V V		(1) The company has established an internal operation procedure and designated related departments to handle shareholders’ suggestions or disputes; it has also established a spokesperson system, so there’s a person responsible for responding to shareholders’ questions, including suggestions, doubts, disputes and litigation. (2) The company knows the shareholding of its directors, managers and major shareholders holding over 10% of its shares at all times. (3) The company has established related internal control systems and firewall mechanisms, such as rules governing the management of its subsidiaries and procedures for loan, endorsement and guarantee according to law and regulations. (4) The company has established “Procedure for Precaution against Insider Trading and Internal Significant Information Processing” to expressly prohibit insiders from trading marketable securities using undisclosed information; besides, Article 37 of “Corporate Governance Best Practice Principles” also stipulates that board members shall do their duties loyally, bear their duties of care and exercise their powers in a highly disciplined and prudent way; the audit department evaluate whether the procedure execution above meet the rules irregularly by random checks, and the company has also emphasized precaution against insider trading to directors and supervisors.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for its members?	V		(1) The company has set “Corporate Governance Best Practice Principles” which writes that board members should pay attention to gender equality and be equipped with knowledge, skills and qualities necessary for performing their duties; it has indeed executed such principles. The company greatly values the integration of diversity among the board of directors. The board of directors of the company shall guide the company's strategy, supervise managerial officers, and take responsibility for the company and its	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p>		V	<p>shareholders. The operations and arrangements of its corporate governance system shall ensure that the board of directors exercises its functions and powers in accordance with laws and regulations, the company's articles of association or the resolutions of the shareholders' meeting. The board of directors should have related professional knowledge and skills, and the backgrounds of its members should cover the following areas: operational judgment, accounting and finance, business management, crisis management, industry knowledge, international market outlook, leadership ability, and decision-making ability. As a policy, the company aims to appoint at least 2 directors that are versed in each area. In addition, the company also pays attention to gender equality in the board of directors, and aims to appoint at least 2 female directors.</p> <p>Implementation in 2021: There are 4 female directors among the 9 current board members, and female directors account for 44.4% of the board members; there are at least 2 directors versed in the skills of management capabilities, crisis management, financial accounting, etc., which is in line with the company's policy and meets the goals for diversity in the board. The Board of Directors of the Company is led by the Chairman, and his/her duty is to implement a well-functioning governance system for the board, make improvements for the duties and functions of supervisory officers, and strengthen the functions of managerial officers.</p> <p>(2) According to law, the company has established a remuneration committee and an audit committee. In addition, the company has also recently set up a new nominating committee. The committee consists of 3 members, and their duties are to improve the functions of the board of directors and strengthen the management policies of the company. The nomination committee is composed of independent directors.</p> <p>(3) In order to implement corporate governance to enhance the functions of the board of directors and establish performance targets to enhance the efficiency of the operation of the board of directors, the company formulated the performance evaluation methods of the board of directors of the company in accordance with the letter No. 1070025395 of the Taiwan Governance Code on December 27, 2018. Approved by the board of directors. At the end of each year, the company's deliberative unit will invite directors to fill out self-assessment questionnaires for the board of directors, board members, and functional committees to conduct board performance assessments for the year. The performance of the board of directors in 2021 has been evaluated as excellent, with no major missing improvement projects, and has been listed in the board meeting of the board of directors on February 25, 2022.</p> <p>(4) In accordance with the Code of Practice for Governance of OTC Listed Companies, the Board of Directors evaluates the independence and suitability of CPAs once a year. The 2021 evaluation results were approved by the Board of Directors on November 5, 2021. The evaluation criteria and results are described as</p>	

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>follows:</p> <ol style="list-style-type: none"> 1. Independence: CPA Wu, Li-Tung and CPA Tseng, Tung-Chun (hereinafter referred to as the CPAs), along with members of the audit team, have issued a "Certificate of Detached Independence." 2. Suitability: The CPAs do not serve as directors or independent directors of the company, have no direct or significant indirect financial interests, are not shareholders of the company, and do not receive pay from within the company. They also possess professional abilities necessary for completing their work. In addition, they are present for the company's shareholders meeting, and attend meetings of the audit committee and the board of directors when necessary, and they provide the company's staff with necessary education and training on a regular basis. 3. Evaluation results: Certified Public Accountants Wu, Li-Tung and Tseng, Tung-Chun from Deloitte & Touche passed the company's independence and suitability evaluation standards and were qualified to serve as the company's CPAs. 	
4. Do TWSE/GTSM Listed Companies set a special unit or person for corporate governance to be in charge of related matters of corporate governance (including but not limited to providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and taking minutes in the board meeting and shareholders' meeting)?	V		<p>In order to promote corporate governance and effectively play the functions of the board of directors, the company has set up a full-time corporate governance unit under the jurisdiction of the company's finance department in accordance with the provisions of Articles 20 and 22 of the "Points to be Followed for the Establishment and Exercise of Power of the Board of Directors of Listed Companies" The chief of the Finance Office is also part-timer, and he has more than three years of experience in the management of finance, stocks or deliberations in public issuing companies, and his qualifications meet the requirements. He comprehensively manages corporate governance related matters, and his main responsibilities are as follows:</p> <ol style="list-style-type: none"> (1) Providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and making records of proceedings in the board meeting and shareholders' meeting. They also assist directors in their appointment, continuing education, and training. They provide directors with necessary information for handling business, and assist the directors in complying with applicable laws and regulations. (2) Before the board of directors consults the opinions of the directors to plan and formulate the agenda, and at least 7 days before the meeting, all directors are notified to attend and provide relevant meeting materials, so that the directors can understand the content of the relevant issues in advance. (3) Every year, register the date of the shareholders' meeting before the time limit prescribed by the law, prepare and report the meeting notice, the proceedings manual and the proceedings in accordance with the law, and handle the change registration after amending the articles of association or re-electing the directors. (4) In order to ensure that the members of the board of directors are immediately informed of the company's major news, the company immediately informs the members of the board of directors after issuing major messages, and arranges for directors to participate in 	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>financial, business and other professional knowledge courses.</p> <p>(5)Irregularly convene communication meetings of accountants, independent directors, and supervisors of auditing and accounting to implement the internal control system. For details of the communication meetings, please refer to the company's website.</p> <p>(6)The board of directors is regularly notified of the revisions and developments of the latest laws and regulations related to the company 's business field and corporate governance.</p> <p>(7)Review and design and plan the company's overall internal control system to ensure corporate governance management measures to maintain efficiency and flexibility, and coordinate related matters across departments.</p> <p>(8)Relevant matters related to the board of directors and shareholders' meeting were successfully completed in 2021, and the business development situation has been listed in the board meeting of the board of directors on February 25, 2022. The main implementation situation is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors to perform their duties, provide necessary information and arrange for their further studies 2. Assist the board of directors and shareholders in meeting procedures and resolutions, such as reporting on corporate governance and responsible for the release of important information on important board resolutions. 3. Draft the agenda of the board of directors to notify the directors seven days ago, convene the meeting and provide meeting materials, if the issue needs to be avoided, give advance reminders, and complete the minutes of the board meeting within 20 days after the meeting. 4. Handle the registration of the shareholding date in accordance with the law, and prepare the meeting notice, the discussion manual and the proceedings within the legal period. <p>The items above have been completed in 2021.</p> <p>(9)The head of corporate governance participated in the continuing training course for the issuer's securities firm stock exchange accounting directors organized by the Stock Exchange in 2021 for a total of 12 hours.</p>	
5.Does the company establish a communication channel and build a designated section on its website for interested parties, and handle all the issues they care for in terms of corporate social responsibilities?	V		<p>(1)The company instructs related departments to communicate with interested parties as required and there is an "Area for Interested Parties" on the corporate website for customers, suppliers, media and employees to contact the company. In addition, it has also established a spokesperson system, so there's a person responsible for dealing with related issues of legal persons and investors.</p> <p>(2)The "Interested Parties Section" on the corporate website provides a questionnaire for interested parties to give suggestions or put questions and the important social responsibility issue they're deeply concerned about must be responded to appropriately. The company also has speaker corner and website for shareholder</p>	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			column email and investor related email, also set up corresponding windows for sales management and operation items. In the interested parties section, if there is any question, suggestion, or complain, the interested parties may contact the CEO, General Manager, Independent Directors, Audit Room, or special contact window for the interested parties by the emails provided in this section for smooth and effective communication channels.	
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		This company entrusts related affairs of the board of shareholders to professional stock affairs agencies and this year it authorizes Yuanta Securities to do the job.	None
7. Information Disclosure (1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3)Does the Company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V		(1) The company has set up an "investor 's section" in Chinese and English on the company's website to disclose financial business and corporate governance information, and in accordance with relevant laws and regulations, declare relevant information on the path designated by the Financial Supervisory Commission on time. (2) The company has Chinese and English websites, and instructs relevant departments to collect relevant information and place it on the company website. The company has a spokesperson system in accordance with regulations, and has a spokesperson and deputy spokesperson, with designated personnel handling related questions from the corporation and investors. The company's website also has telephone and e-mail contact methods In principle, the company holds three corporate briefings a year, and publishes the information and videos of the briefings on the company's website and public information observatory as required. In 2021, the briefings were held in March, August, and November. (3) The company announces and declares the annual financial report (within three months), the first, second, and third quarter financial reports (within 45 days) and the monthly operating situation (monthly 10 days ago). The 2021 financial statements were announced and filed on February 25, 2022, within two months after the end of the fiscal year.	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

8. Does the company have any other important information that helps to understand the operation of corporate governance? Yes, the explanation is as follows:

(1)Operational performance:

In order to implement corporate governance, the company has established an effective internal control system, implemented self-checking operations, and set up independent directors. It borrows the professional experience of independent directors and increases the practical experience of the team to strengthen the functions of the board of directors, to protect the shareholders' rights and enhance information transparency. On the other hand, the company has established public information declaration operations in accordance with relevant regulations, so that shareholders and stakeholders can fully understand the company's financial business status and the implementation of corporate governance.

In addition, in order to strengthen the corporate governance of the company, in addition to updating the company's Chinese and English pages for investors to immediately obtain corporate information, it also established a stakeholder platform for stakeholders to express opinions to the company in real time, so that the company can get the respond quickly and improve.

(2)Explanation of environmental protection expenditure information and labor relations (employee rights and employee care):

Please refer to the fourth and fifth points of this annual report.

(3)Investor Relations :

The company treats all shareholders in accordance with the principle of fairness and openness. It convenes shareholders' meetings in accordance with the provisions of the company act and relevant laws and regulations, and informs shareholders to attend the shareholders' meeting in accordance with relevant regulations. It also gives shareholders the opportunity to ask questions or make proposals to achieve the effect of checks and balances., and formulate rules of procedure for shareholders' meetings in accordance with the law, properly keep minutes of shareholders' meetings and fully disclose relevant information on public information observatories; in addition, in order to ensure that shareholders have the right to fully understand, participate in and decide on major issues, besides immediate disclosure of the company 's important information, major information in Chinese and English, and spokespersons and agent spokespersons to respond to shareholder suggestions and concerns, respond to corporate and investor issues in real time, and let them better understand the company's operating results and conditions.

(4)Respect the rights and interests of interested parties:

The company honestly discloses company information in accordance with laws and regulations to protect the basic rights and interests of investors. It maintains a smooth communication channel with banks, employees, consumers and suppliers, and has set up "stakeholders' area" on the company's website for all interested parties to contact the company immediately. The company respects and protects its legitimate rights and interests. The company has established three internal employee opinion mailboxes to encourage colleagues or stakeholders to express their opinions or report violations, which is beneficial for the company's growth.

Processed Events of 2021:

Year	Management System	Employee Benefits	Gender Equality	Completed Items	Completion
2021	12	1	0	13	100%

Enhance corporate governance and protect shareholders' rights:

In order to reduce the risk and diversify the risk of directors and managers from causing major damage to the company and shareholders due to wrongful or negligent acts, it has been stipulated in Article 25 of the company's articles of association within the term of directors and shall be liable for the scope of business execution The company 's liability for compensation is for the purchase of liability insurance. The company and the board of directors approved the renewal of liability insurance for directors on May 10, 2022. The insurance coverage is as follows:

Insured Party	Insurance Company	Insured Amount	Insured Period
All directors and managers	Shinkong Product Insurance Co., Ltd.	5,000,000 USD Dollars (Approximately NTS 143,000,000)	2022/3/27 ~ 2023/3/27

(5)The company's directors participated in corporate governance related courses and laws in 2021, which are listed as follows:

Title	Name	Date	Course Name	Hours
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Evaluation Items		Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
		Yes	No	Summary	
Chairman	Chuo,Wen-Hen	2021/03/22	Group corporate governance	3	
		2021/05/12	Intellectual property management that the technology industry must know	3	
Deputy Chairman	Chen,Chin-Tsai	2021/04/26	Fully activate the digital resilience of enterprises - from the perspective of ransomware virus emergency adaptation and response	3	
		2021/08/19	Business integrity management and money laundering prevention	3	
		2021/09/01	The impact of commercial courts on the operation of the board of directors and the execution of duties by directors	3	
		2021/10/28	The general trend of ESG and sustainable governance in the life insurance industry	3	
Director	Chuo,Yung-Tsai	2021/3/22	Group corporate governance	3	
		2021/5/12	Intellectual property management that the technology industry must know	3	
Director	Lee,Shun-Ching	2021/3/22	Group corporate governance	3	
		2021/5/12	Intellectual property management that the technology industry must know	3	
Director	Tsai,Huey-Ching	2021/1/28	The 23rd CEO Lecture and Keynote Speech	2	
		2021/3/22	Group corporate governance	3	
		2021/5/12	Intellectual property management that the technology industry must know	3	
Director	Sanko Investments Co., Ltd. Representative: Huang,Ching-Yi	2021/4/27	Principles and applications of artificial intelligence	3	
		2021/8/25	The impact of FTA and RCEP on Taiwan-funded enterprises and their countermeasures from the perspective of directors and supervisors	3	
Independent Director	Chiang,Cheng-He	2021/8/6	Analysis and decision-making of corporate financial information	3	
		2021/8/25	The impact of FTA and RCEP on Taiwan-funded enterprises and their countermeasures from the perspective of directors and supervisors	3	
Independent Director	Chen,Ching-Huey	2021/8/6	Analysis and decision-making of corporate financial information	3	
		2021/8/25	The impact of FTA and RCEP on Taiwan-funded enterprises and their countermeasures from the perspective of directors and supervisors	3	

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

Independent Director	Tu, Li-Ming	2021/8/6	Analysis and decision-making of corporate financial information	3
		2021/8/25	The impact of FTA and RCEP on Taiwan-funded enterprises and their countermeasures from the perspective of directors and supervisors	3

(6) The company's financial controller, audit director, and corporate governance director of the company in 2021 participated in corporate governance related courses and laws and regulations which are listed as follows:

Title	Name	Date	Title	Hours
Assistant General Manager of the Finance Office (Financial Supervisor)	Liao, Ke-Huang	2021/09/03	Aspects of "Sustainable Development" New Policy, Climate Governance and Low-Carbon Management	6
		2022/01/18	Common Types of Litigation and Internal Control Management Practices of Enterprises "Signing Business Contracts"	6
Manager of Chairman's Office (Audit Supervisor)	Chen, Shih-Chong	2021/11/02	Fraud risk audit service and management	6
		2021/12/03	Corporate Fraud Detection and Prevention: Legal Responsibility, Forensics and Big Data Analysis	6
Deputy General Manager of the Finance Office (Corporate Governance Supervisor)	Wu, Yue-Qin	2021/3/22	Group corporate governance	3
		2021/04/16	2021 Economic Outlook and Industry Trends	3
		2021/05/12	Intellectual property management that the technology industry must know	3
		2021/09/28	Sustainability (CSR, ESG) Model Practice Analysis of Corporate Governance Evaluation	3

(7) The situation of the relevant personnel of the group company's accounting audit obtaining relevant domestic and foreign licenses:

There are 8 accountant licenses (CPA) in the Republic of China, 3 US accountant licenses (US CPA), 6 accountant licenses in other countries, and 2 international internal auditor licenses (CIA), Accounting and Audit Supervisor have CPA license.

(8) The specific management objectives of the board member diversity policy and the current achievements:

1. Diversity Policy:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, the board of directors of the company has adopted and revised the code of practice of corporate governance. Among them, the third chapter strengthens the functions of the board of directors, which includes the establishment of a diversity policy. Including but not limited to the basic conditions and values, professional knowledge and skills of the two major standards, and should generally have the knowledge, skills and literacy necessary to perform their duties. The current board of directors of the company is composed of 9 directors, including 3 independent directors. The members have rich experience and professionalism in the fields of finance, business and management.

2. Specific management objectives:

The company's board of directors should guide the company's strategy, supervision and management, and be responsible to the company and its shareholders. All operations and arrangements of its corporate governance system should ensure that the board of directors exercises its powers in accordance with laws, the company's articles of association or shareholders' meeting resolutions. The board of directors should have sufficient professional knowledge and skills. The professional background of the members should cover law, accounting,

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

industry, finance, marketing, and technology. The number of seats in each professional field should be at least 2 people. In addition, the company also pays attention to the gender equality of the members of the board of directors, at least two female directors.

3. The current situation and the board's overall capabilities are as follows :

The members of the board of directors of the company have extensive experience and expertise in the fields of finance, commerce and management. In addition, the company also pays attention to the gender equality of the members of the board of directors. The target of female directors is 2 or more. The current 9 directors of the board of directors include 4 female directors, which is 1 more than the previous board members. The ratio of female directors to directors has reached 44.4 %; When the company selects directors, it also evaluates the directors' management and management capabilities, crisis management capabilities, financial accounting, etc. to implement the company's policy of diversification of directors. The target is to have at least 2 directors versed in each category of professional skills. The specific implementation conditions are as follows:

Director's Name	Nationality	Gender	Also Employee of the company	Age			Industry Experience		Professional Capability		
				Under 60	61-70	Over 71	Bank	Asset Management	Accounting	Law	Risk Management
Chuo, Wen-Hen	R.O.C.	M	V	V				V			V
Chen, Ching-Tsai	R.O.C.	M				V		V	V	V	V
Chuo, Yung-Tsai	R.O.C.	M	V			V	V	V	V	V	V
Tsai, Huey-Ching	R.O.C.	F	V		V			V		V	V
Lee, Shun-Ching	R.O.C.	M			V			V			V
Sanko Investments Co., Ltd. Representative: Huang, Ching-Yi	R.O.C.	F		V			V		V		V
Chiang, Cheng-He	R.O.C.	M			V		V		V		V
Chen, Ching-Huey	R.O.C.	F			V		V		V		V
Tu, Li-Ming	R.O.C.	F				V	V		V		V

Director's Name	Operation Judgement	Accounting Finance	Operation Management	Crisis Handling	Industry Knowledge	International Market View	Leadership Skills	Decision Skills
Chuo, Wen-Hen	V		V	V	V	V	V	V

Evaluation Items	Implementation						Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary				

Chen,Ching-Tsai	V	V	V	V	V	V	V	V
Chuo,Yung-Tsai	V	V	V	V	V	V	V	V
Tsai,Huey-Ching	V		V	V	V	V	V	V
Lee,Shun-Ching	V		V	V			V	V
Sanko Investments Co., Ltd. Representative: Huang,Ching-Yi	V	V		V		V		V
Chiang,Cheng-He		V			V	V		
Chen,Ching-Huey		V			V	V		
Tu,Li-Ming		V			V	V		
Target	2	2	2	2	2	2	2	2
Achieved	6	6	5	6	7	8	5	6
Level	100%	100%	100%	100%	100%	100%	100%	100%

(9)The company pays special attention to the disclosure and disclosure of information, and regularly or irregularly exposes company-related information on public information observatories or company websites. In 2021, it also published 56 major messages in Chinese and English at the same time, so that investors can immediately learn about the company's operational status and important information.

(10)Director and manager performance evaluation and remuneration links:

1. The remuneration of directors of the company complies with the provisions of Article 25 of the Company's Articles of Association. The remuneration of the chairman, deputy chairman and directors is determined by the board of directors according to the degree of participation in the operation of the company and the value of their contributions. Remuneration policies also consider industry standards both domestically and abroad. As the basis for evaluation, the procedures for determining the amount of remuneration are based on the company's "Board Performance Evaluation Methodology". In addition to referring to the company's overall operating performance, the quality of board decision-making and internal control status, individual performance evaluation results are also referenced to ensure that reasonable remuneration is given. The rationality of remuneration is reviewed by the Remuneration Committee and the Board of Directors to ensure the sustainable operation of the company and control for risk.

2. In addition, the company's managerial officers are regarded as ordinary employees during the issuance of salaries, bonuses, dividends, and benefits. The above are paid out according to the operation and profit-earning status of the company. In addition, the results of the company's operations and the scope of responsibilities of each manager are also taken into account. The results of the annual performance evaluation are compensated with reasonable remuneration. The policy of remuneration for managerial staff is based on the company's "salary scale", "salary treatment method", and the scope of each person's individual responsibilities. Contributions made to the company's operating performance are considered when calculating dividends, year-end bonuses, and other remuneration.

3. If directors and managers engage in morally hazardous activities or other activities that are risky and may have a negative impact on the company's image, including inappropriate internal management and personnel fraud, the remuneration of directors and managers will be calculated based on contributions to operation and the specific target achievement rates of directors and managers. Remuneration will be calculated and issued accordingly. The remuneration system of directors and managers is subject to review at any time in accordance with the actual operating conditions and relevant laws and regulations.

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

4. Article 31 of the company's articles of association stipulates that if the company records profits at the end of the year, it should allocate no less than 1.0% as remuneration for employees and no more than 4.0% as remuneration for directors. For example, for the 2021 distribution of 2020 surplus, the ratios of employee remuneration and directors' remuneration were 6.0% and 3.0% respectively, which are in accordance with the company's articles of association.

(11) Evaluation of the Performance of the Functional Committees:

4. The performance evaluation of the company's Audit Committee and Remuneration Committee in 2021 was conducted by means of self-evaluation questionnaires. The three independent directors have completed the relevant written self-evaluations. The evaluation results are summarized as follows:

- (1) Participation rate in the company's operations (5 questions in total): All members gave positive comments.
- (2) The cognition of Functional Committee responsibilities (5 questions in total): All members gave positive comments.
- (3) Improvement of the decision-making quality of Functional Committees (5 questions in total): All members gave positive comments.
- (4) Functional Committee's composition and member selection (4 questions in total): All members gave positive comments.
- (5) Internal control (4 questions in total): All members gave positive comments.

5. Performance evaluation results: The results show that the members of the Functional Committees gave positive evaluations regarding the efficiency and operation of the committee itself, and believed that the committees are functioning well.

(12) Build the information security risk management framework as follows :

The company has established an information security risk management structure as follows. In addition to regularly reviewing the security policy, the results of information security implementation are reported to the board of directors at least once a year. Implementation was good in 2021, with no major incidents in information security management.

1. Organization and management structure: The Information Department of the company is responsible for all affairs relating to information security. In order to strengthen the management of information security, the original office was upgraded in July 2012 from the department level to the division level and it was restructured as the Information Department. The General Manager cum co-CEO directly supervises the execution of all operations of the department. The Information Department is responsible for all information security matters which include, but are not limited to, coordinating the formulation and implementation of information security and protection-related policies. In addition, the department also manages risks in information security and executes periodic examinations to ensure compliance. The head of the information department leads the team to carry out the company's information security operations and ensures the effectiveness of the information security risk management mechanism. This officer regularly makes reports to the chairman and general manager regarding the overall organization of information security management in the company and the effectiveness of the implementation of relating systems. The company integrates information security-related regulations with its internal control management policies. All matters requiring executive approval have to go through the board of directors. The company ensures the confidentiality, integrity, availability, and legality of information assets through regular inspections annually.

2. Information Security Policy:

■ Goal: To appropriately control the security of the company's data, systems, equipment, and network. This is done in the hope of protecting the best interests of the company, shareholders, employees, customers, and suppliers. Employees must have complete knowledge on information security protection and be very vigilant in all situations. In addition to reducing risks related to information operations, the company also requires outsourced service providers and visitors to abide by the relevant security management regulations to reduce the risk of information security leakages. The company is also in the process of conducting the "ISO 27001 Information Security Management System" international standard certification. It is hoped that the introduction of the ISO 27001 Information Security Management System will strengthen the ability to respond to breaches in security and ensure the safety of assets of the company and its customers. The information security training personnel and the supervisor of the information security department are responsible for coordinating and implementing all policies relating to information security. They shall regularly report to the general manager or other higher-level supervisors to review the implementation status of related policies and assist the human resources department in conducting information security education and training for employees to cultivate information security awareness. Lastly, the audit office conducts an annual review of the internal control of the information security system to evaluate its effectiveness.

■ Implementation methods:

- (1) Formulate information security operation specifications, define objectives for managing information security and key operation points, and implement and promote them throughout the company.
- (2) Strengthen the control and evaluation of various internal and external information release processes by establishing security measures such as identity authentication and access control; doing so can prevent leakage, errors or tampering of confidential information.
- (3) Establish a cross-departmental information security team that is dedicated to the formulation, promotion, implementation, and evaluation of information security management matters, and ensure that the company has an information-based environment for continuous business operation. This is essential in making improvements and maintaining the safety of information assets.
- (4) Conduct information security education and training sessions to strengthen employees' awareness and compliance with related policies.
- (5) Establish and implement an information security risk assessment mechanism to ensure the effectiveness and timeliness of information security management.
- (6) Implement an internal audit system for information security to ensure the implementation of information security management.
- (7) Regularly conduct reviews and continuously improve the company's information security management system.

3. Specific management plans and resources invested in information security management:

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

In order to protect the interests of the company, shareholders, employees, clientele, and suppliers, the security of the company's data, systems, equipment, and network is vital. Outsourced service providers and visitors to the company are all required to abide by the relevant security management regulations to reduce the risks related to information operations and maintain the correctness and vigilance of information security. If there is any behavior that endangers information security, depending on the seriousness of the circumstances, the company will investigate and the offender is subject to civil, criminal and/or administrative punishments or be dealt with in accordance with the company's relevant regulations, regardless of who the offender is. This demonstrates the company's dedication in protecting information security. The company has formulated the following standards and management plans to fulfill information security goals:

Category/Item/Topic	Specific management measures/invested resources
Network firewall protection	■ Upgrade software to Layer 7 Firewall model
	■ Set up connection control policies
	■ Block detectable threats and attacks
Internet control mechanism	■ All Internet communications must go through a securely managed gateway
	■ Prohibit access to sites known to contain information security hazards and other non-work-related websites
	■ Record and inspect any accounts of unnecessary access
Endpoint Security Protection	■ The endpoint security protection system uses multi-layer and multi-dimensional protection, providing sandbox protection against unknown program behavior in addition to virus codes.
	■ For servers and important hosts, subscribe and implement the highly rated MDR threat detection and response service.
Operating system updates	■ Establish a Microsoft automatic security update service system, and actively dispatch and update computer operating systems.
	■ Perform active updates for devices that are listed in Endpoint Security as not fully updated.
	■ Phase out computers whose operating systems or applications have stopped updating for security purposes.
Email Security Management	■ Build a gateway system for dual-core filtering of SPAM and multi-level information security threats.
	■ Virus scanning software is enabled in the SPAM system to block out harmful attachments.
Mobile Device Management	■ Prohibit bringing feature phones or smart phones with WIFI connection into the company
	■ Business phones are managed by the Android Enterprise registration management system
	■ Install action management systems such as MDM/MAM/MCM.
Internet access control	■ Introduce intranet security control systems such as NAC (Network Access Control), IPAM (IP Address Management), and IAM (Identity Management).

4. Emergency notification procedures

According to policy, if the company's information security regulations are violated, the company will resort to appropriate disposal procedures and/or take legal actions. In addition, all employees of the company should understand that all information obtained during work is the property of the company. Any other unauthorized use of said information is prohibited.

In the event of an emergency information security incident, the information personnel will respond to the abnormal event and report it to the supervisor for evaluation and judgment. Then, they will immediately propose a plan to block the damaged system and restore normal operations. After abnormal incidents are dealt with accordingly, information security professionals and manufacturers are invited from the outside to conduct investigations on the incident at hand and assist in formulating plans for improvement. After reporting to the chairman and general manager, the plans are resolved and implemented.

(13) Management plan and implementation of intellectual property rights:

1. Formulate intellectual property management policies, goals and systems related to operating strategies

In order to strengthen the industry leadership and maintain the hard-won R&D technological achievements, the company has formulated an intellectual property strategy that combines the company's operational goals and R&D resources. The chairman's office's intellectual property team will lead the communication and coordination with relevant units in accordance with intellectual property rights. The spirit of the

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
<p>management policy is to set goals and systems for various intellectual property rights and let relevant units follow them to avoid infringement of the intellectual property rights of others in the company's products or marketing process, complete the layout of intellectual property rights of products, and establish effective communication channels for relevant units to communicate with The intellectual property unit can indeed implement relevant intellectual property decisions and continuously improve the management system.</p> <p>2. Intellectual property acquisition, protection, maintenance and operation management system From the beginning of its establishment, HIWIN has drawn up a long-term development blueprint, with innovative R&D and brand marketing as its core values. It has established R&D centers and laboratories in Taiwan, Tokyo, Japan, Offenburg, Germany, Moscow, Russia, and Israel. There are more than 500 R&D personnel. In order to maintain its competitive advantage in the field of precision linear transmission components and system technology products, and hope to become the number one brand in this field, HIWIN continues to actively devote itself to product research and development and technological innovation. The Intellectual Property Unit of BOB Technology will work closely with R&D units to build comprehensive and strong patent barriers. As of the end of December 2021, the number of patent applications of BOB Technology has reached 3,312, and the total number of approved global patents exceeds 2,697. It has been ranked among the top 100 patents of the Smart Office for 20 consecutive years.</p> <p>3. Provide sufficient resources to effectively implement and maintain the intellectual property management system BOC Technology takes innovative R&D and brand marketing as its core values, and allocates 3%-7% of its turnover to R&D expenditures every year, and it does not hesitate to spend on the hardware and software implementation of the intellectual property system. , And there is an intellectual property unit responsible for the management and maintenance of the company's intellectual property system, and regularly report the management status of intellectual property rights to the company's senior management. For innovative output, the expenses for applying for protection of intellectual property rights will be invested NT\$ 52,886,000and NT\$ 55,905,000 in 2021 and 2020, respectively.</p> <p>4. Implementation status In order to improve the protection of intellectual property achievements, and strengthen the intellectual property management system through a third-party fair verification unit, the main implementation situation in recent years is as follows: (1) Introduced the Taiwan Intellectual Property Management Regulations (TIPS) from 2014 to 2017 (2) In 2018, the intellectual property unit will continue to deepen the intellectual property management system, establish the control points of an effective intellectual property rights system, and expand the introduction of the TIPS system to various factories (Taichung, Yunlin and Chiayi). (3) Since 2017, we have severely pursued and cracked down on counterfeit products in the global market. With the company's trademark rights, 68 factories and 399 sellers have been investigated and 501,835 sliders have been seized, and 12,017 counterfeit products have been seized. Pack of blocks. (4) In 2019, General Manager Tsai Huey-Ching was invited by the Institute of Science and Technology Law (TIPS) of the Information Industry Promotion Association of the consortium to give lectures on the topic of "Intellectual Property Management Obligations of the Board of Directors of Listed Companies" and share the company's intellectual property management experience. (5) The business secret registration system will be implemented in 2021. The business secret registration makes the management of business secrets more precise, and strictly controls the access and audit of business secrets to avoid the leakage of business secrets. So far, there are 53 business secrets registered. (6) Starting in 2021, the company has begun to implement a system to collect evidence of trademark use, and the use of the trademark of the company's products will be regularly checked to ensure the validity of the company's registered trademark. (7) Continue to improve the legal concept of supervisors, and use legal disputes in the company as teaching plans every year, so that supervisors at all levels can inspect whether the responsible unit has similar legal issues, and improve the department's management system. (8) Provide patent five-stage education training for new R&D colleagues, including: patent specification structure introduction, patent search methods, patent proposal techniques, patent refusal and defense, patent infringement identification, etc., so as to cultivate the basic knowledge of patents for R&D personnel, In order to enhance the company's research and development capabilities and reduce the risk of patent infringement. (9) Regularly review the trademarks applied by others, and file opposition, evaluation (invalidation) or abolition (unused cancellation) procedures for trademarks that are the same or similar to the company's trademarks to maintain the company's brand value. (10) The relevant implementation status regarding intellectual property was reported to the board of directors on November5, 2021.</p> <p>5. Achieve results: (1) Patent 173 patent applications have been filed and 197 patent certificates have been awarded. As of the end of 2021, a total of 2,246 patents have been obtained and are still valid. In 2021, it was listed in the Top 100 patents of the Intellectual Property Bureau of the Ministry of Economic Affairs. The part of the domestic legal person: 88th in patent announcement The R&D achievements in the field of metal, steel and precision machinery are still second to none in Taiwan, and continue to maintain the throne. (2) Combating counterfeiting 1. The mainland registration number 18961112 and 18961115 color combination trademarks owned by Shanghai Banking Technology Co., Ltd. were selected by the mainland authorities as the top ten typical trademark infringement cases in Wenzhou in 2017 and the administrative protection of trademarks by the State Intellectual Property Office in 2019. 2. By monitoring mainland e-commerce platforms, complaining and deleting sales links that infringe on the company's color combination trademark rights, and suing online sellers with more serious infringements, as of 2021, 17 online sellers have been sued, and obtained 220,000.00 RMB compensation and certain settlement funds to protect the company's online brand reputation. 3. The four manufacturers that infringed the company's Mainland Announcement No. 100425901 invention patent rights were sued. The company won two cases in the first and second trials, and two other cases are underway.</p>				

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
<p>4. The two mainland manufacturers who filed a lawsuit for infringing the copyright of the company's line and rail catalogue are currently under trial.</p> <p>9. Please comment on the results of the recent corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and propose priorities and measures for those who have not yet improved.</p> <p>The Corporate Governance Center of the Stock Exchange announced the fifth corporate governance evaluation. The company ranked 6%-20% of the listed companies. It can be seen that the efforts in implementing corporate governance have been affirmed.</p> <p>I. Hold the shareholders' meeting before the end of May: The company is actively evaluating whether to hold the shareholders' meeting in advance in May.</p> <p>II. Voluntary Announcement Financial Forecast Information: The company has no plans to voluntarily announce annual financial forecast data.</p> <p>III. Director performance evaluation method: In order to implement corporate governance to enhance the functions of the board of directors and establish performance targets to strengthen the efficiency of the board of directors, the company has established the company's board of directors performance evaluation method in accordance with the letter of December 27th, 2018's Taiwan Governance Code No. 1070025395, and passed by the board of directors passed on December 11th, 2019. At the end of each year, the company's deliberative unit will invite directors to fill out self-assessment questionnaires for the board of directors, board members, and functional committees to conduct board performance assessments for the year. The performance of the board of directors in 2021 has been evaluated as excellent, with no major missing improvement projects, and has been listed in the board meeting of the board of directors on February 25, 2022.</p>				

(iv) Composition, Responsibilities and Operation of the Remuneration Committee:

I. Remuneration Committee:

1. Information of Remuneration Committee Members

Identity		Requirement	Professional Qualifications and Experiences	Compliance with Independence	Number of other companies the person is acting as independent director
Name					
Independent Director (Convener)	Chiang, Cheng-He		The company's remuneration committee consists of three independent directors. For information on their professional qualifications and experiences, please refer to "Information on Directors" (pp. 14-16).	Members of the Remuneration Committee comply with the following: 1. Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" (Note 2). 2. 0.07% of the company's shares are held by the person, their spouse, minor children or in the name of others. 3. The person has not provided business, legal, financial, accounting, and other services to the company or its affiliated enterprises in the last two years.	None
Independent Director	Chen, Ching-Huey			Members of the Remuneration Committee comply with the following: 1. Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" (Note 2). 2. None of the company's shares are held by the person, their spouse, minor children or in the name of others. 3. The person has not provided business, legal, financial, accounting and other services to the company or its affiliated enterprises in the last two years.	None
Independent Director	Tu Li-Ming				None

Note: No members meet any of the following criteria in the two years before being elected or during the term of office:

- (1) An employee of the Company or other affiliates.
- (2) A director or supervisor of the Company
- (3) An individual shareholder in Top 10 Shareholders of the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Directors, supervisors or directors of corporate shareholders who directly hold more than 5% of the company's total issued shares, hold the top five shares, or directors, supervisors, or employees who appoint representatives to act as company directors or supervisors in accordance with Article 27, paragraph 1 or 2, of the Company Act.
- (6) Directors, supervisors or employees of other companies who control more than half of the shares or voting rights by the same person.
- (7) Directors, supervisors or employees of other companies or organizations who are the same person or spouse with the company's chairman, general manager or equivalent.
- (8) Not directors, supervisors, managers or shareholders holding more than 5% of a particular company or institution that have financial or business dealings with the company.
- (9) Professionals, proprietors, sole proprietorships, partnerships, companies or institutions that provide audits for companies or related companies, or business, legal, financial, accounting, and other related services that have received NT\$ 500,000.00 in the past two years. Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.

2. Responsibilities of Remuneration Committee

To assist the board of directors in executing, evaluating and reviewing the policy, system, standard and structure of salaries and remunerations of the Company's directors and managers regularly, the remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit suggestions for discussion to the board of directors

- (1) The committee shall make and periodically review the performance evaluation, remuneration policy, system, standards and structure of directors and managers.
- (2) The committee shall periodically evaluate and set the remuneration of directors and managers.

(3) Regularly review the organizational rules of the Remuneration Committee and assess whether to propose amendments.

3. The Remuneration Committee shall perform its functions and powers in accordance with the following standards:

- (1) Salary management should conform to the company's salary concept.
- (2) The performance evaluation and remuneration of directors and managers should be related to the company's operating performance and future risks.
- (3) The ratio of dividends to the short-term performance of directors and managers and the payment time of part of the variable remuneration should be determined in consideration of the characteristics of the industry and the nature of the company's business.
- (4) The members of this committee shall not participate in discussion and voting on their personal salary and remuneration decisions.

4. Operation of Remuneration Committee

(1) The committee has 3 members.

(2) Tenure of this Committee Term: June 28th, 2019 to June 27th, 2022, The Remuneration Committee held 3 (A) meetings in the past year and the qualifications of the committee members as well as their attendance records are shown below:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Convener	Chiang, Cheng-He	3	0	100.0%	
Member	Chen, Ching-Huey	3	0	100.0%	
Member	Tu, Li-Ming	3	0	100.0%	

Review salary and compensation regularly:

The function of the company's salary and compensation committee is to evaluate the salary and compensation policies and systems of the directors and managers of the company in a professional and objective position. It meets three times a year and may hold meetings at any time as necessary to make recommendations to the board for Reference for decision-making.

Other necessary information:

1. If the Board does not adopt or revise proposals of the remuneration committee, the Board meeting date, session, session, content of the motion, the Board decision, and the Company's response to the remuneration committee's opinions shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the remuneration committee, the difference and reasons must be noted): none

2. Should a committee member oppose or reserve their opinion regarding any decision made by the remuneration committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: none.

(3) The Remuneration Committee's date of meetings, content of proposals, and the company's handling of the committee's opinions in the recent year

Remuneration Committee Dates (Period)	Motion Content	Proposal Outcome	The company's handling of the committee's opinions
2021.03.23 4th Session, 6th Committee	1. Revise the "Salary and Remuneration Committee Organization Rules" 2. 2020 employee compensation and director compensation proposal	The case was approved by the chairman in consultation with all the members present without objection and submitted to the board of directors for discussion.	Submitted to the board of directors and approved by all the directors present
2021.8.4 4th Session, 7th Committee	Director and Manager Salary Review Report (No matter was discussed by the Remuneration Committee this time)	All attending members were aware	-
2021.11.4 4th Session, 8th Committee	Director and Manager Salary Review Report (No matter was discussed by the Remuneration Committee this time)	All attending members were aware	-

II. Nominating Committee:

1. Information on members of the Nominating Committee and details of operation:

Title	Name	Professional Qualifications and Experiences	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Independent Director (Convener)	Chiang, Cheng-He	The company's remuneration committee consists of three independent directors. For information on their professional qualifications and experiences, please refer to "Information on Directors" (pp. 14-16).	0	0	0	
Independent Director	Chen, Ching-Huey		0	0	0	
Independent Director	Tu, Li-Ming		0	0	0	
Other necessary information: State the meeting date, period, and content of the main proposals of the Nominating Committee, the content of the proposals or objections of the members of the Nominating Committee, the results of the resolutions of the Nominating Committee, and the company's handling of the opinions of the Nominating Committee: The Committee was established on November 5, 2021, and there is still no meeting record.						

2. Duties of the Nominating Committee

Under the authorization of the board of directors, the committee shall, with the assistance of managerial officers, faithfully perform the following functions and powers, take responsibility for the board of directors, and report the results of the resolutions or submit them to the board of directors for discussion:

- (1) Formulate the selection criteria for the composition and qualifications required for board members and senior managers, and select and review candidates for directors and senior managers.
- (2) Plan and execute performance evaluations for the board of directors, functional committees, board members, and senior managers.
- (3) Planning and execution of a director training program.
- (4) Review the organization's procedures and the Code of Practice on Corporate Governance.

3. Information on the Operation of the Nominating Committee

- (1) There are 3 members on the Nominating Committee.
- (2) The committee was established on November 5, 2021, and elected independent director Chiang Cheng-He as the convener on that day. The term of this committee is from November 5, 2021 to June 27, 2022.
- (3) Meetings shall be held at least twice a year. Since its establishment in November 2021, there is no meeting record to date.

(5) Fulfillment of Sustainable Development:

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
1. Has the Company established an exclusively (or concurrently) dedicated unit under supervision of senior management authorized by the Board of Directors to promote sustainable development and report its implementation to the Board of Directors?	V		In order to promote sustainable development, the company established the CSR Committee in 2014 and changed the name of this unit to the ESG Committee in 2021. It is the highest-level center within the company that can make decisions regarding sustainable development. The chairman has already authorized the general manager to be responsible for formulating the company's vision in terms of sustainable development. The general manager also serves as the chairman of the ESG Committee, and discusses and formulates medium- and long-term sustainable development plans with the senior managers of relevant units around the company, such as the Chairman's Office, the Product Development Department, the Manufacturing Department, the Management Department, the Environmental Protection Department, the Human Resources Department, the Finance Department, and the Planning Team. Starting from 2021, monthly meetings are held to discuss issues such as the environmental, social, and legal aspects of sustainable development. These include,	None

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			<p>but are not limited to, energy conservation and carbon reduction. The team puts forward countermeasures and action plans. Sustainable development issues are considered starting from the product development stage, and shall be regularly reviewed. After discussion, when the annual implementation plan and results are approved by the committee, these items shall be listed as proposals on the board of directors' report, which should be presented to the board at least once a year. The implementation results and short-, medium- and long-term goals for 2021 have been included in the board of directors' report on May 10, 2022. After hearing the report, each director makes recommendations and oversees the implementation of related policies in the future. The board of directors of the company takes the reports and strategies of the management team very seriously, and makes suggestions when necessary. These recommendations made to the ESG Committee act as a reference for the managing team to adjust their strategies.</p>	
<p>2.Has the Company conducted risk assessment on environmental social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle?</p>	V		<p>The company has established an "ESG Committee" and a "Risk Management Committee" to lead the discussion of related issues. Every year, these two committees regularly refer to the international report preparation guidelines to analyze major issues. These committees read through various research reports and documents, and make inspections accordingly after communicating with major internal and external stakeholders. After gathering an adequate amount of information, the committees decide the content and priority of each topic, including the operation-related risks and social and corporate governance issues. They then formulate related risk management strategies. As most of the risk assessments are done in the company's Taiwanese factories, these are currently the main focus of the committees. However, foreign subsidiaries are expected to be gradually included into the discussion.</p> <p>The ESG Committee regularly conducts analysis based on the materiality principle of the Sustainability Report. The committee evaluates issues that are in line with the materiality of the company through the advice of external experts on the physical examination of the company. A variety of functional organizations and stakeholders engage in continuous communications and interactions to ensure excellent performance on operation related issues. The committee is responsible for managing major issues relating to environmental, social, and corporate governance. The ESG Committee and the Risk Management Committee refer to the framework of climate-related financial disclosure proposals to assess various risks and opportunities, identify major risks and opportunities based on exposure risk levels, and conduct climate change risk assessments based on policies and regulations. The status of various markets and manufacturing is also used in assessing potential impacts on the company. According to the results of the financial impact assessment of risks and opportunities, relevant measures</p>	

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			and action plans are put forward, and the implementation has produced positive results. The units of the company concerned in the above work put forward important issues such as operational risk, credit and financial risk, climate change risk, industry change risk, human risk, intellectual property rights and information security risk, litigation risk, supply chain risk, regulatory risk and industrial safety, and environmental protection risk. Measures are introduced in response to reduce risks. The board of directors meeting on May 10, 2022 also reports on the implementation results of the 2021 annual risk strategy and relating response.	
<p>3. Environment Issues</p> <p>(1) Does the company establish an appropriate environmental management system based on the characteristics of its industry?</p> <p>(2) Has the company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact?</p> <p>(3) Does the company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?</p> <p>(4) Does the Company collected statistics of emissions of greenhouse gas(GHG), the usage of water, and the total weight of waste in the past two years, and formulated energy saving and carbon reduction, GHG reduction, water saving, and other waste management policies?</p>	V		<p>(1) The company's operation headquarters has passed the ISO 14000 environmental management certification system. The latest version of ISO 14001 was verified on January 3rd 2022, and the certificate is valid until January 28th 2025. The company's Taiwanese factories have implemented ISO 14064-1, ISO 14064-3 (greenhouse gas emissions inventory), ISO 14067:2018 (product carbon footprint) and ISO 14046:2014 (organizational water footprint) and obtained the British Standards Institution (BSI) verification statement. The Taiwanese factories have also completed the ISO 50001 inventory and third-party verification processes.</p> <p>(2) The company is committed to the development and use of green product materials and packaging materials with environmental protection concepts in mind, in addition to strengthening garbage classification and resource recycling to reduce resource waste. The company also promotes energy management and renewable energy, as well as the recycling and reuse of recycled materials such as electricity, water, packaging materials, and waste paper in each factory area. Through system implementation, energy inventory, and diagnostic tests, the company can effectively manage energy usage and promote energy conservation throughout the whole company. Energy-saving equipment were also purchased and processes were improved to save electricity during production. The reduction plan formulated in 2021 and 2020 saved 3.26 million kWh and 3.81 million kWh of electricity, which entails a reduction of 1,639 metric tons and 1,944 metric tons of carbon dioxide emissions in respective year.</p> <p>(3) The ESG Committee is the highest organization in the company that deals with climate change management. The committee is led by the general manager, and voluntarily used the framework of the Task Force on Climate-related Financial</p>	None

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>Disclosures (TCFD) in 2021 to conduct climate risk assessments. Based on the level of exposure and vulnerability matrix, the committee develops an adaptive plan of action, and major risks and opportunities are screened accordingly. Climate change risk analysis is carried out according to related policies and regulations, in addition to market and manufacturing aspects when evaluating potential financial impacts to the company.</p> <p>The company is committed to the development and use of green product materials and packaging materials while keeping environmental protection concepts in mind. In addition, the company also emphasizes garbage classification and the recycling of resources to reduce waste. Through the implementation of the ISO 50001 energy management system and the improvement of energy inventory and diagnostic tests to effectively manage energy usage, the reduction plan formulated in 2021 and 2020 saved 3.26 million kWh and 3.82 million kWh of electricity, which reduced carbon dioxide emissions by 1,639 metric tons and 1,944 metric tons respectively. In addition to the above strategies, the company has also made a portion of documents paperless in order to reduce paper waste, and has installed solar modules on the roof of the operating headquarters. At the same time, the company has plans to set up other factories to respond to the green energy policy promoted by the government and reduce the impact of company operations on the natural environment.</p> <p>Based on the framework of the TCFD proposal, the company evaluates the risks and opportunities that global climate change may have on the company. The company completed the climate risk assessment in 2021 and identify 5 risks, which include greenhouse gas emission pricing, emission reporting regulations, rising raw material costs, droughts, and rising air temperatures. Strategies and action plans to address risks are as follows:</p> <ol style="list-style-type: none"> 1. Voluntarily reduce greenhouse gas emissions and lower energy use. 2. Increase the number of procurement channels for various alternative raw materials. 3. Implementing tap water storage measures and the signing of water truck scheduling operations. 4. Effectively and efficiently utilize limited water resources, expand the recycling and reuse of water, and install smart water meters for easy monitoring. 	

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>5. Strengthen the resilience of the company and adaptation abilities to climate-related disasters.</p> <p>6. Abide by relevant public equipment maintenance measures.</p> <p>The above strategies have been included in the company's risk management procedures and annual work plans have been formulated.</p> <p>(4) The company has also set up a special unit, the Industrial Safety and Environmental Protection Department, and has assigned specific environmental protection personnel to be responsible for matters relating to air pollution, waste water, and material waste. The company entrusts professional treatment agencies to deal with material waste generated during the production process. The company also plans and arranges work for employees accordingly. Safety and environmental management related training courses are also offered regularly to all staff to ensure the accurate implementation of the company's policies and reduce waste output through source reduction measures.</p> <p>The company has been involved in the promotion of carbon management related operations for many years. The officers responsible thoroughly understand the company's actual production of "carbon" and "greenhouse gas", and formulates policies and improvement measures for reductions in greenhouse gas emissions, water use, and other waste management issues. This is done in order to achieve the goal of reducing carbon dioxide emissions and demonstrate the company's determination to engage in environmental protection. The company's main production bases are verified by the third-party verification unit, British Standards Institute (BSI), which sends representatives to various factories to verify data. Scope 1 emissions in 2021 included 10,063.1760 metric tons of CO₂e; Scope 2 emissions included 151,143.6737 metric tons of CO₂e; Scope 3 Category 3 emissions included 4,672 metric tons of CO₂e and Category 4 emissions included 80,132 metric tons of CO₂e. Scope 1 emissions in 2020 were 9,196 metric tons of CO₂e, while Scope 2 emissions were 121,866 metric tons of CO₂e, and the newly added Scope 3 category 3 emissions were 15,817 metric tons of CO₂e; category 4 emissions were 61,640 metric tons of CO₂e. Total water consumption in 2021 and 2020 was 0.833 million tons and 0.818 million tons</p>	

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			<p>respectively, and the total amount of waste accumulated in the two years was 11,095 metric tons and 8,970 metric tons respectively. In order to improve the efficiency of water use and reduce the waste of water resources, water recycling and reuse facilities have been established. In 2021 and 2020, recycled water accounted for 7.8% and 8.4% of the reclaimed water plant area, respectively, and this accounted for 5.9% of the company's overall water use in 2021. In 2022, the company is expected to continue promoting several energy management action plans, which will save about 5.85 million kWh of electricity. This will allow the company to save about NT\$ 17.21 million in electricity bills annually, and directly reduce the emissions of 2,939 metric tons of CO₂e.</p> <p>In addition to the above strategies, the company also implements plans to go paperless for various documents to reduce paper waste, and installs solar modules on the roof of the operation headquarters. This is done in alignment with the green energy policies currently promoted by the government. These actions reduce the impact of the company's operations on the natural environment. For details, please refer to the Company's 2021 Sustainability Report.</p>	
<p>4. Social Issues</p> <p>(1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as International Covenants on Human Rights?</p> <p>(2) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?</p> <p>(3) Does the company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Has the Company established mechanisms for regular communications with employees and keeping employees informed in a reasonable manner changes in Company operations that might</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) In order to protect the rights and interests of employees, the Company has referred to the International Covenants on Human Rights to formulate policies for the protection of human rights as follows:</p> <p>Gender equality and maternal health protection: No differential salary, benefits protection and promotion opportunities will be given due to gender, while respecting gender equality, setting key points for prevention and treatment of sexual harassment; the Company also abides to labor standards and gender laws to regulate female labor equality, maternity leave, paternity leave, parental leave, etc.; employee may also adjust working hours and locations during pregnancy.</p> <p>Ban on child labor: The Company do not employ child workers under the age of 16, and follows the Labor Ordinance to treat workers under the age of 18; "Work Regulations" are also set.</p> <p>Equality in disability: Same paths of career development and salary benefits as that of general staff members.</p> <p>International shift protection: Legal salary and leave management.</p>	None

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<p>have significant impacts on employees?</p> <p>(5) Does the Company comply with relevant laws and international standards in health, safety, and privacy of consumers as well as marketing and labeling of its products and services, and establish consumer protection policies and appeals procedures?</p> <p>(6) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?</p>	V		<p>Reasonable working hours: Follows the relevant regulations of the Labor Law to establish Company's working hours policy and legal wage payment.</p> <p>Set regulations such as "Work Regulations", "Harassment Preventive Measures", "Attendance and Leave Management Measures", "Babysitting Subsidies for Staff Members", "Employee Group Insurance Regulations", "Special Vacation Management Measures".</p> <p>The company's concerns and practices with regard to human rights are as follows:</p> <ol style="list-style-type: none"> 1. Provide a safe and healthy work environment 2. Eliminate unlawful discrimination and ensure equal job opportunities for all employees 3. Prohibit child labor 4. Prohibit forced labor 5. Assist employees to maintain good physical and mental health, and a good work-life balance <p>The implementation results for 2021 are as follows:</p> <p>The company held 259 hours of courses on human rights and anti-corruption issues for colleagues, and the total number of people trained was 2,175. In the future, the company will continue to pay close attention to issues regarding the protection of human rights and promote relevant education and training to raise employees' awareness of human rights protection issues and reduce the possibility of related risks.</p> <p>(2) <u>Employee Remuneration:</u></p> <p>The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of pay design for equal pay for equal work, in addition to retaining employees who are not paid, all assessments are given. Through new assessments, quarterly assessments, year-end assessments, and project assessments, we encourage and reward the contributions of outstanding employees. Giving different bonus bonuses is also a key feature of the reward design; for example, the lifetime premium system: the new technology developed by employees, if they bring profits to the company, the company will regularly settle bonuses to employees, which is equivalent to the authorization fee, so that employees and the company Share</p>	

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			<p>achievements for life. According to the regulations of the company's articles of association, when the company records a profit in the final accounts at the end of the fiscal year, it shall allocate no less than 1% of the profits as remuneration to the employees.</p> <p><u>Employee benefits:</u> HIWIN welfare policies include but are not limited to: insurance/health care, comprehensive insurance plans, meal allowances, gifts for new homes, allowances for weddings, funeral, and childcare, staff dormitory, and employee remuneration. The company strives to care for employees both physically and mentally, so that they and their families can enjoy a better quality of life. This is vital in the support of the employees of HIWIN. Employee benefits include: comprehensive insurance plans, meal allowances, injury and illness allowances, wedding and funeral allowances, and gifts for certain holidays and birthdays. In addition, the childcare allowance policy has been promoted since 2012 to encourage employees to have children. Regardless of gender, anyone who has a newborn child in his/her household is eligible to receive a subsidy of NT\$ 5,000 per month for three consecutive years on top of their normal salaries.</p> <p><u>Workplace Diversity and Equity:</u> The company takes gender equality seriously. This is done by implementing equal pay for equal work, opportunities for promotion, and paying special attention to the promotion of female colleagues. In 2021, females made up a total of 15% of the total number of employees, and female supervisors accounted for an average of 12% of the total number of supervisors. Female supervisors above the management level accounted for 17%, which is a much higher ratio than most firms in the same industry.</p> <p><u>Business performance reflected in employee remuneration:</u> The company and its subsidiaries have established a salary scale according to the relative contribution of employees and the level of their positions, to ensure the provision of reasonable remuneration. Any changes to salaries and promotions are handled transparently and openly through institutionalized procedures. The company regularly holds briefings on salary adjustments and bonus distribution so that all colleagues understand the related remuneration policies of the company. In addition, in order to encourage employees to work hard and produce good results in the workplace, a certain percentage of profit surplus is allocated to be paid out to employees in the form of bonuses. The company's surplus is shared</p>	

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			<p>with all colleagues, and various salary and welfare systems are regularly reviewed by relevant teams. In order to achieve "external competitiveness" in remuneration for attracting and retaining talents in the company, the "Remuneration Committee" regularly assesses the company's remuneration system. In order to enable employees to grow together with the company, HIWIN actively plans professional training sessions for employees, so that they can keep up with new knowledge in the industry and apply what they have learned in their work. All regular employees are subject to a regular assessment system. New recruits are assessed on the 1st and 3rd months, while current employees have regular reviews every quarter. Each year, there are four quarterly assessments and one year-end assessment. The performance of employees and related improvements are constantly under review, and those showing improvements are eligible for promotion. According to the Articles of Association of the company, if the company records a profit in the final accounts of the year, it shall allocate no less than 1% of the surplus to be paid out to employees in the form of remuneration.</p> <p>In addition, supervisors may give bonuses based on employees' involvement and cooperation in activities related to sustainable development and the results of performance evaluations. The company has also formulated reward and punishment management measures, proposed improvement mechanisms, workplace harassment prevention measures, and methods for punishments and making appeals. Merit is awarded in a timely manner, and employees are reminded to be careful of violating rules and regulations, and are asked to follow the code of conduct and standards for punishments and awards. In addition, education and training related to sustainable development are held periodically, and the results are considered for personal performance reviews and promotion. In order to improve the results of training, the company has formulated a reward and punishment system to ensure the effectiveness of the above-mentioned training and promotion.</p> <p>The company conducts annual surveys of industry salaries and adjusts its own salaries based on market levels, the status of company operations, and the individual performance of employees to maintain competitiveness. In 2021, the average annual salary increase of the company's non-supervisory employees in Taiwan was between 3% to 8%.</p> <p>(3) The company takes disaster prevention seriously. To achieve this, the company manages</p>	

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			<p>resources, pays close attention to environmental safety and health issues in factories, proposes effective countermeasures, and continues to promote occupational safety cognition in the workplace. The main target is to have zero disasters. All of our Taiwanese factories have passed the ISO 45001/CNS 45001 occupational safety and health management system verification. The ISO 45001 verification date is January 3, 2022, and the certificate is valid until March 6, 2025. In addition, the company regularly conducts employee safety and hygiene training, fire drills, work environment hazard assessments, and provides adequate protection to ensure the health and safety of employees.</p> <p>In order to implement policies relating to environmental safety and sanitation, the company has established a systematic management system (ISO 45001 and CNS 45001) integrating the spirit of plan, do, check, and act (PDCA). Starting from research and development, product manufacturing and services, the use of raw materials, and gas emissions, the company integrates the concepts of environmental safety and sanitation by organizing meetings and planning related education and training sessions. Employees are highly encouraged to participate. The company continuously promotes the improvement of various management plans, and strives to achieve goals in environmental safety and sanitation. The method of operations is described below:</p> <p>Every factory has appointed occupational safety and health management units and personnel to draw up occupational safety and health management plans, promote work environment and operation hazard risk identification, evaluate and control health and safety management items, carry out automatic inspection before operation of mechanical equipment and working environment monitoring and continuously improve safety and health facilities so as to create a safe, healthy, comfortable and friendly work environment.</p> <p>All factories hold occupational health and safety committee meetings regularly every year to review and improve related safety and health issues, and take precautionary measures depending on operating risks, such as mechanical equipment management, contractor management, chemicals safety management, personal protective equipment requirements and safety audit management. Besides, they also do emergency response drills regularly so as to minimize employees' and the Company's capital losses and impacts of disasters on the society and environment</p> <p>It appoints special physicians and employs special</p>	

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			<p>nurses to provide health service near factories, plans and implements labor health education, health promotion and guidance, prevention and cure of work-related injuries, health consultation, first aid and emergency treatment, and holds regular health promotion activities, such as healthy eating, relaxation, preserving health using traditional Chinese medicine and walking to fitness to satisfy employees' health needs. Moreover, it also conducts health examination according their ages and special work health examination to effectively evaluate and track employees' health condition.</p> <p>It conducts working environment monitoring semiannually, including physical and chemical factors defined in laws and regulations, such as illumination, concentrations of carbon dioxide, noise, and concentration of special chemical substances specified by laws and regulations. When there is an unusual phenomenon found from monitoring, the labor security personnel in the factory will conduct evaluation and improvement to ensure an acceptable level of hazard factor exposure risk so as to protect the health of operating personnel.</p> <p>Apart from improvement in work environment and workplace health, there's also improvement in human factors engineering, including simple fork lift truck, vacuum extractor, hydraulic cart and trolley; moreover, it also conducts allotment of labor, and educational trainings and advocacy on correct handling posture.</p> <p>1.The implementation status in 2021 is as follows:</p> <p>A. The general manager leads high-level supervisors to carry out activities to promote the culture of safety among employees in the culture of safety among employees in the company. The heads of various departments lead colleagues to identify potential hazards in the workplace. A total of 1,092 cases have been recorded throughout the company, and all improvement plans have been executed and completed. Of those, 158 cases were implemented simultaneously with TPS and TPM projects.</p> <p>B. Statistics on the number of occupational accidents showed a downward trend from 2018 to 2020, but the number of accidents in 2021 increased by one in comparison to 2020. The causes of related cases have been reviewed, and the results have been expanded to make improvements in each factory. In order to continuously improve the work safety of colleagues, HIWIN has learned valuable lessons from occupational disasters over the years, and has formulated activities to prevent accidents and</p>	

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			<p>improve safety in the workplace.</p> <p>C. HIWIN formulates a safety and health education and training scheme every year to improve employees' knowledge of work safety and health. In 2021, a total of 10 types of internal education and training courses were offered, with a total of 3,606 participants; a total of 13 types of license courses were offered, with a total of 445 participants. Starting in 2022, the company will analyze the weaknesses of the promotion of safety culture of each work process on a quarterly basis, plan an education and training schedule, and improve the efficiency and effectiveness of the promotion of safety culture.</p> <p>D.The company hired occupational nurses and special occupational therapists to provide regular health care services, such as medical treatment, health consultation, individual case management, emergency first aid, medical care, and medical examinations for health abnormalities. In 2021, a total of 1,296 people received these services.</p> <p>E. In 2021, the frequency of disability injury was 0.84, which is an increase as compared to the 0.55 in 2020, resulting in the failure to reach the target of 0.52; there were 43 cases of occupational accidents involving 43 people (accounting for 0.0088% of the total number of employees at the end of 2021). After a thorough review of the improvement measures, the company took the following steps– Improvements have been carried out horizontally in each factory, inspection items were immediately revised, machine safety inspections were held, the company's safety rules and regulations were reiterated, and supervisors were asked to pay attention to the physical and mental health of employees, ensuring their safety during work.</p> <p>F. The Company organizes employee health checks in the workplace for early detection of health hazards and potential factors of illness and disease. Doing so also promotes chronic disease prevention and allows employees to participate in cancer screening activities. Based on the results of employee health examinations, the company understands employees' individual health problems and provide personalized advice by conducting analysis, implementing questionnaires, tracking data, and engaging in continuous monitoring. In 2021, employees received such services, and 25% of employees with metabolic syndrome reported improvements in their health.</p> <p>(4)The company has a complete career development training system. The training topics include the</p>	

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			<p>establishment of core functions in the workplace, different levels of professional knowledge and skills in various fields, leadership management and humanistic literacy, etc., to cultivate employees' complete functions. Excellent human resources are the cornerstone of the company's sustainable management. In order to improve the ability and quality of employees and to maintain long-term competitive advantage, the company's chairman, general manager and first-level senior executives all serve as internal lecturers, and spend tens of millions of dollars every year. The per capita training cost for employee education and training is maintained at NT \$ 2,000 / person or more, ensuring that every employee has the opportunity to be trained.</p> <p>(5)The company's products are sold to the global market and must comply with the environmental protection regulations of various countries. The company and its suppliers ensure that they comply with the above regulations, and at the same time enhance and consciousness and ability of counseling suppliers' quality and environment, and jointly assume the sustainable development of both parties. The transmission control and system products manufactured and sold by the company are industrial products. By providing complete technical support and product after-sales service to customers, they will grow together with customers.</p> <p>(6)The company's website and a stakeholder area are provided for consumers to give feedback in real time Or appeal, the company will reply to its questions to protect its rights.</p> <p>1. In addition to providing high-tech, high-quality, and cost-effective products, the company also adheres to the philosophy of "manufacturing is not an end, it is to meet the needs of human beings" and is committed to providing diversified services. HIWIN not only regulates all the company's colleagues, but also encourages suppliers on the system to provide good quality and delivery time, as well as to fulfill the responsibility of protecting the environment, including the current state of labor compliance with national laws and regulations, the original materials and the conflict-prohibited areas. Minerals, banned hazardous substances (such as EU RoSH), and signed a conflict-free minerals declaration, and added a supply partner labor human rights management project in the procurement contract to avoid and reduce potential hazards and risks to the overall operation of the HIWIN Technologies, to ensure the benefits The interests of the people involved, as well as the provision of a good employment environment, etc., thereby enhancing</p>	

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			<p>the competitiveness of both parties. The average score for suppliers in 2021 is 8.7 points, which is the same score back in 2020.</p> <p>2. When the company orders the main equipment, it is stipulated that if the manufacturer has a significant impact on environmental protection, it will reassess whether it will continue to trade with it. In the case of a transaction with a supplier, the parties must enter into a contract for sale and purchase. The contract states the terms of sustainable development: Party A and Party B shall abide by the corporate social responsibility policy and shall comply with the standards of ethical, legal and public requirements for the operation of the company. Considering the impact on society and the natural environment, any party may terminate or terminate the contract at any time if it involves a policy that violates sustainable development.</p> <p>3. The company has a specific supplier management policy, which is based on the long-term cooperation of the suppliers and the company's sustainable operation and mutual growth through the close cooperation model. The selection of new suppliers is based on their price and quality. The delivery period is listed as an assessment project, and the environmental safety management, labor rights and financial assessment projects are evaluated. The survey results show that 100% of the new supply partners have passed the assessment. In 2021, a total of 178 new suppliers joined HIWIN. HIWIN Technologies annually proposes a questionnaire survey on supplier labor management operations to conduct surveys and evaluations on the human rights and labor status of the top 100 suppliers. The results of the 2021 evaluation are 100% passed</p> <p>4. The company always attaches great importance to the safety and hygiene of employees and a comfortable working environment. It also hopes that upstream and downstream manufacturers will work together to establish industry standards in safety, health and environmental protection. In order to protect the safety, health and facilities maintenance of contractors and colleagues, the company has set up a management system for contracting safety, health and environmental protection agreements. The number of households has reached 219. Currently, the company will continue to promote and provide assistance when necessary. Expect to work together to reduce the risk of hazard.</p> <p>5. Through the supplier evaluation and corporate social responsibility questionnaire analysis, the survey items are product quality, product supply price, after-sales service, delivery punctuality rate,</p>	

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			supplier location, flexible cooperation degree, compliance with company confidential contract, supplier inventory policy, environmental safety management, labor human rights and financial assessment are evaluated. Only through evaluation can we become qualified suppliers of the company. In response to the supply chain environmental security management, there are 2 suppliers that do not comply with relevant occupational safety regulations, and are listed as key counseling targets.	
5. Has the Company adopted internationally recognized standards or guidelines to prepare non-financial reports such as corporate social responsibility reports? Has the Company obtained a third-party assurance or verification for such reports?	V		<p>(1) The company voluntarily publishes a sustainable development report in June every year. The 2021 corporate social responsibility report has adopted a cross-comparison method to conduct internal verification on the content of the report. It has been verified by the British Standards Institute Taiwan Branch (BSI) in April 2022, and is in compliance with the latest version of GRI Standards and the AA1000 standard TYPE I medium assurance level verification standard. The company regularly publishes the specific promotion plan and implementation results of sustainable development on the company website in June each year. The URL is as follows: csr.HIWIN.tw; and the sustainable development report will also be uploaded to the public information before the end of September.</p> <p>(2) HIWIN's investment in corporate social participation in 2021 is NT\$ 146,156,000, which includes five major items: talent cultivation NT\$ 26,577,000, industry-university cooperation NT\$ 39,888,000, community care NT\$ 68,675,000, charity sponsorship NT\$ 9,037,000, and innovative cooperation NT\$ 1,980,000. The specific promotion plans and implementation results of the company's various corporate social responsibilities in 2020 are summarized as follows (for details, please refer to the company's corporate social responsibility report):</p> <p>Talent Education-</p> <p>A. Leading the promotion of the "Automation Engineer" and "Robot Engineer" certification exams. Their ideas and concepts have been recognized and supported by academia and industry. There are more than 400 automation-related teachers and more than 100 senior corporate executives. Participate in the proposition and review of questions, and more than 200 companies support engineers who are willing to give priority to hiring or interview qualified engineers. The first "Automation Engineer" license exam was held in December 2009. The first "Robotic Engineer" certification exam was held in January 2017. As of December 2021, 24 exams have been completed, with a total of 36,888 applicants and 10,037 certificates.</p> <p>B. Accounting Elite Cultivation Program (Asia University), which aims to improve students'</p>	None

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			<p>accounting professional ability and international mobility, and assist top outstanding students to become professional accountants. A total of 764 students participated in 2021. The total amount of sponsorship in 2021 was NT\$ 1,117,460 The implementation of the plan has entered its ninth year, which has greatly increased the willingness of students to obtain certificates and the learning atmosphere. Students' participation in evening counseling has also become a hot spot for admissions.</p> <p>C. HIWIN sponsored students from the Department of Accounting at Tamkang University to obtain professional certificates in accounting related fields. Since implementation, a new atmosphere for studying has been formed that is different from other departments, and the university has expressed that this type of work is highly valued. Taking into account the experience gained from working with the Department of Accounting, this type of professional course is to be included in the projects of future professional training for all departments in the university. In 2021, the number of participants in the program was 483, and the sponsorship amount was NT\$ 389,800</p> <p>Industry-University Cooperation-</p> <p>A. From high-level managers to basic-level employees, each member of our team is invested in cultivating students and helping them make connections with smart machinery. Through 10 years of hard work, 1,555 students have been trained, and 9 of them have been promoted to the supervisory level.</p> <p>B. HIWIN attaches great importance to the sharing of knowledge. Engineers/R&D supervisors give lectures at schools to share industry trends and applications, enriching students' knowledge of mechanics and hoping to help them get internship opportunities in the future. Since 2015, the total number of teaching hours has reached 1,286 hours, and the total number of teachers is 405. In 2021, 23 lectures by professional teachers were conducted, and a total of 934 students participated in the courses.</p> <p>C. So as to let students in fields related to mechanics be exposed to the industry early on in their careers, HIWIN arranges students to visit factories/offices and provide them with product knowledge, so that they can understand product applications and the development trend of industries worldwide through their interactions with engineers. From 2015 to 2021, there were a total of 8,974 visitors, and the number of visitors in 2021 was 393.</p> <p>Community care-</p> <p>A. HIWIN promotes the implementation of the "Greater Taichung Lychee Value-Added Key Technologies and International Certification" program to implement corporate social responsibility and community care, and support farmers' technology upgrades with practical</p>	

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			<p>actions, combined with the "color protection and loss prevention" developed by the Chung Hsing University team The "Water Technology" was transferred to the Taiping District Farmers' Association. The program started trials in 2017 to improve the difficulty of storage of lychees and the poor selling after refrigeration. The "cold-chain low temperature" treatment of lychees is used to keep fresh lychees. It can be kept fresh for more than 21 days. Although it has been transported for about 10 days, the appearance remains bright red after the listing. At the same time, the Taiping District Farmers' Association is funded to conduct "International Certification and Good Agricultural Practice (GLOBAL GAP) Verification". HIWIN actively promotes the value-added and innovation of agriculture. The purpose is to apply the successful model of industry-university cooperation in industrial application to agriculture, and to promote agriculture to high value. More industry-university cooperation and innovation in agriculture.</p> <p>B. The HIWIN Education Foundation established the HIWIN Volunteer Group in June 2012, mainly focusing on education and social services. The purpose is to use company resources and employee participation to provide internal care and support services to company employees, and to participate in education and social welfare services externally, so as to realize HIWIN's vision of "adding value to human well-being" and respond to the United Nations sustainable development goals. , To create a better society. In 2021, there were a total of 366 visits and 1,176 service hours.</p> <p>Charity sponsorship-</p> <p>A. HIWIN sponsors 2 million yuan to provide assistance in a timely manner every year. The public welfare platform Cultural Foundation is used in the following parts: 1. Deep cultivation of art and culture 2. Educational rooting plan 3. Tourism industry guidance 4. Resource integration project.</p> <p>B. HIWIN sponsors Huiming School for the Blind with an annual funding of 1 million yuan to support the education assistance program, to support the life of every child with love, and to help Huiming implement balanced and appropriate learning development for students, safe and unimpeded campus, professional growth teachers, The school-running philosophy of community school inclusiveness enriches learning energy and provides a sustainable business environment of humanities, nature, aesthetics, and creativity.</p> <p>C. Since 2015, HIWIN has sponsored NT\$ 500,000 each year to support the Foundation for the Social Welfare of Children, providing free instruction for disadvantaged children, in hopes of preventing these children from experiencing eternal poverty. The goal of this plan is to teach children according to their abilities so that they have the opportunity to relearn basic skills and gain competitiveness.</p>	

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			D. From 2015 to 2018, HIWIN sponsored the "Rising Sun Project" of National Tsing Hua University with a total investment of NT\$ 1 Million per year for a total of 4 years, providing a four-year scholarship of NT\$ 400,000 for students at the university. This project hopes to use "education" to change the lives of future generations. In 2021, due to the impact of COVID-19, donations and scholarships have dropped sharply all across the board. In response, HIWIN immediately increased its sponsorship funds by NT\$ 1 Million to help poor and outstanding students live their lives safely, continue their studies, and become the future talents of our country's workforce.	

6. If the Company has established the Sustainable Development Principles based on "the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any difference between the Principles and their implementation:
The Company has established Sustainable Development principles based on "the Sustainable Development Best-Practice Principles for TWSE/ TPEX Listed Companies", and there is no major difference between actual operation and the principles. Besides, with the efforts of all the colleagues, corporate governance, energy conservation and environment protection and efforts devoted to public welfare, and protection of other rights of interested parties are well received.

7. Other important information that helps comprehending the status of Sustainable Development operations:

- The company has spent tens of thousands sponsoring the "HIWIN Machinery Master's Thesis Award" every year since 2004, it has been held for sixteen years until the date of the annual report's publication, mainly to encourage young students to invest in R&D and innovation in the field of mechanical engineering, to cultivate more outstanding talents for the country and enterprises, and to promote and enhance the research interests and standards of domestic young students in the machinery industry, and to absorb more talents into the machinery industry
- The "HIWIN Smart Robotics" competition has been held since 2008, it has been held for twelve years until the date of the annual report's publication, laying the foundation for the future talents and technologies of the robot industry
- HIWIN has been responsible for the talents of Taiwan's machinery industry. Since 2009, it has assisted the Taiwan Automation Intelligence and Robotics Association (TAIROA) to promote the "Automation Engineer" license exam, mobilizing 500 teachers from national mechanical-related universities and corporate elites to participate in propositions and questions. 20 exams have been completed until the date of the annual report's publication. In response to the development trend of major countries in the world, robots have developed the necessary foundation for smart manufacturing. Since 2016, we have assisted TAIROA to promote the "Robotics Engineer" license exam. A total of 10 exams have been completed.
- In 2009, the "HIWIN Technologies Education Foundation" was established with promoting the promotion of our country's industrial standards as principal through various education and award-winning activities
- Since 2010, the "College Student JIMTOF Study Group" has been organized by the HIWIN Technologies Education Foundation to encourage mechanical students to focus on the study of precision machinery and expand their international vision, thereby enhancing the innovation of Taiwan's machinery industry technology. This activity is engaging in the primary selection and re-election of domestic mechanical, with the target being college students in domestic mechanical-related departments, up to 32 students from grades 2~3 in the mechanical engineering, automation and electrical related departments of domestic universities and colleges are selected to attend the biennial Japan International Machine Tool Fair (JIMTOF), and arrange to visit Japan's index factory
- Since 2011, the Chinese Mechanical Engineering Society has been entrusted to hold the "HIWIN Award for Excellence in Mechanical Doctoral Thesis". The purpose is to raise the standard of Chinese precision machinery and manufacturing technology across the Taiwan Straits, strengthen the cultivation work of high-level creative talents, and improve cross-strait mechanical engineering and the quality of doctoral education in the field of intelligent automation, stimulating and encouraging young students to invest in R&D and creative applications in this field. It has been held for 11 years until the date of the annual report's publication, and will continue to be held in the future
- The company has been committed to industry-university cooperation and school education for many years, to fulfill corporate social responsibility, the company and Chairman Chuo donated a new library to Hsinchu Liu-Jia Elementary School, it is expected to have online library functions, a reading room, and a grand lecture hall, etc., so that teachers and students can easily use the library, cultivating children's reading habits, international perspective and basic ability to cope with globalization. The Chuo Yong-Tong Memorial Library opened in November, 2017. It covers an area of 1,865 square meters and is a five-story building. The 1-2 floor is mainly composed of children's books and has a story theater area, a large tree reading area and a multimedia interactive learning area; the third floor is an adult reading room with foreign newspapers and magazines for citizens to connect with the world; the 4th floor stepped grand lecture hall can accommodate 200 people at the same time, the 5th floor is the meeting room and research room, the roof is a learning field planned as an environmental

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>energy zone including wind power and solar energy, the total floor area is 2,735 square meters, the construction lasted for 5 years and the total cost is about NTD 160 million. The construction of the Chuo Yong-Tong Memorial Library is mainly to enable alma mater students to have better reading habits, international outlook and basic ability to cope with globalization. At the same time, it will be open to communal use, so that community residents can have a better communicating learning space</p> <p>8. The actual performance in 2021 is as follows: the amount of sustainable development investment is NT\$ 146,156,000 , which includes five major items: NT\$ 26,577,000 for talent cultivation, NT\$ 39,888,000 for industry-university cooperation, NT\$ 68,675,000 for community care, NT \$9,037,000 for public welfare sponsorship, and NT\$ 1,980,000 for innovative cooperation.</p> <p>9. In 2021, the major accident of the Taroko train on Taiwan Railways filled people with deep grief. HIWIN donated NT\$ 10 Million to assist in disaster relief, hoping to comfort the injured and treat casualties. We wish the injured a speedy recovery and the family members of the deceased to return to normal life as soon as possible. All the staff of HIWIN prayed for the casualties with their most sincere wishes, and also cheered on the medical staff engaged in front line rescue work.</p> <p>10. At 2:00 A.M. of October 14, 2021, a serious fire broke out in a building in Kaohsiung's city center. The fire caused 46 deaths and 41 injuries. It was the most serious casualty incident in Kaohsiung history. HIWIN donated NT\$ 10,000,000 to comfort the victims and their families, and provide financial support for the injured and the families of the victims.</p> <p>11. Affected by the economic impact of the COVID-19 pandemic, willingness to make donations has decreased everywhere. Vulnerable children have lost their support for learning due to their parents losing their jobs. Since children and adolescents are the future of our country, and education is an opportunity to escape poverty, priority was given to providing disadvantaged children in Yunlin, Chiayi, Taichung, and Changhua with funding for their education. In 2021, HIWIN sponsored "World Vision Taiwan" with NT\$ 1,110,000, including registration fees for 40 disadvantaged children and after-school counseling and emergency assistance funds of <u>NT\$ 150,000</u>.</p> <p>12. HIWIN donated 50 positive pressure testing booths for COVID-19 with sterile certification to express the mindset of "when people are hungry, we are hungry; when people are drowning, we are drowning". Each testing booth is equipped with comfortable energy-saving air conditioners and antibacterial filters. The independent space design can reduce cross-contamination, allowing the inspectors to perform quick screening work in a cool and safe environment. This will also allow the general public to receive testing services faster.</p> <p>13. HIWIN has been observing sustainable development practices for a long time, and has developed a good relationship with various members of the community where the factory is located. In 2021, we learned that the service locomotives and radios of the Chun She Fire Brigade in Taichung had become outdated and needed to be replaced. Chuo Wen-Hen, chairman of HIWIN, and Chuo Hsiu-Yu, Chairman of HIWIN Mikrosystems Corp., also sponsored the Chun She Fire Brigade to purchase equipment such as service locomotives and radio disaster relief units. At the same time, they also encouraged the people of Taiwan to work together to support firefighters, healthcare professionals, and protect the country.</p> <p>14. The impact of global climate change and warming has led to an increase in the frequency and intensity of extreme climates at home and abroad, which has a huge impact on life, property and business operations. In order to be able to assess the impact of climate change on operations as early as possible, HIWIN Technologies plans relevant countermeasures to ensure that the resilience of climate change is enhanced. Since 2015, HIWIN Technologies has joined the "Earth Hour" activity to take this spirit as a habit in HIWIN's life and continue it. General Manager Tsai,Huey-Ching served as the convener of the adjustment management, and Assistant General Manager Wu,Chun-Liang served as the risk management representative. The adjustment management team was established to investigate the external environment of the plant and the past disasters. (Assets, processes, personnel, supply chain, and finance), assuming possible types of disasters (including high temperature, heavy rain, drought, strong winds, and lightning strikes) and impacts, conduct risk analysis and sequencing, and then develop an action plan.</p>	

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	

The Climate Change Adaptation Management Team sets targets to adopt mitigation and adaptation measures, and formulates strategies to implement short-, medium- and long-term objectives. Through exposure and vulnerability matrices, we develop adaptation action plans, and accordingly implement screening for major risks and opportunities, and in accordance with policies and regulations, Market and manufacturing, etc., respectively, to conduct climate change risk analysis and assessment of potential financial shocks

Climate Risks	Potential Financial Impact	Climate Opportunities	Potential Financial Impact	Response Measures/Initiative
Greenhouse gas voluntary reduction commitment	Increase Input Equipment and Cost	Energy Reduction Plans	Decrease Energy Usage Cost	Voluntary greenhouse gas reduction and energy consumption reduction ISO14064-1, product carbon footprint inventory, ISO50001 external verification
Company image impact	Loss of company image	Increase Social Image	Invest in carbon reduction and adaptation and gain a good reputation	<ol style="list-style-type: none"> 1. The establishment of ISO14001 management system to effectively improve the overall environmental performance 2. Strengthen the resilience and adaptability of climate-related disasters 3. Life cycle analysis of product environmental impact, to reduce the source
Extreme High temperature	Invest in equipment control cost increase/electricity usage and carbon emission increase	Upgrade Disaster Defense Ability	Strengthen climate resilience and reduce operation interruptions and losses	<ol style="list-style-type: none"> 1. Electric room air conditioning equipment 2. Maintenance measures for generators
Rainstorm	Production affected, loss of property and revenue	<ol style="list-style-type: none"> 1. Increase product demand 2. Reduce operating costs 	<ol style="list-style-type: none"> 1. Floods and typhoons cause damage to public facilities and increase steel demand 2. Increased typhoon caused waste and increased transportation costs 	The location of the plant is included in the consideration of future site selection (the operation base has not been affected by heavy rain and flooding)
Drought	Production affected, loss of property and revenue	Improve water resource efficiency and recycle water	Strengthen climate resilience and reduce the impact of disasters on production	<ol style="list-style-type: none"> 1. Water storage measures for tap water and signing of waterwheel dispatching operations 2. Effective use of limited water resources 3. Expand water recovery and reuse, reduce water demand
Thunderstrike	Power outages cause production losses	Improve disaster prevention capabilities	Strengthen climate resilience and reduce production interruptions and losses	Lightning rod maintenance mechanism

According to the results of the climate risk matrix, it can be seen that the future risk of climate shocks faced by HIWIN Technologies will increase with the future occurrence of natural disasters, and the degree of climate shock risk will also increase. HIWIN Technologies will implement the action plan and strengthen emergency response to reduce financial shocks, so that normal operations can be maintained when climate risks occur, and losses can be reduced, and related

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

equipment should be built according to the priority evaluation results, such as the addition of air conditioning equipment and pumping equipment in the electrical room, with a view to reducing future climate shocks. (For description of Climate Change, please refer to the Sustainable Development Report.)

12. According to the principle of materiality, the CSR Committee reports to the board of directors on major issues discussed in the economic, social and environmental aspects and issues discussed with related parties at least once a year. The relevant risks in 2021 and the management policies and regulations are formulated according to each risk. The corresponding measures have been reported on the board of directors on May 10, 2022 as follows

Stakeholder	Employee	Shareholder	Client	Contractor	Academia
Significance to HIWIN	HIWIN Technologies regards its employees as its biggest asset and is also an important gene for the company's sustainable operation.	Shareholders and investors are the behind-the-scenes promoters of HIWIN Technologies' sustainable operation and the benefit of mankind.	Customer satisfaction is the company's sustainability policy and the source of the company's operating performance.	The contractor is an important partner of the company's value chain and jointly creates a safe and healthy environment.	The academic community is a leader in the knowledge of HIWIN Technologies and an indispensable partner for the integration of production functions, and jointly cultivates precision machinery talents
Concerned Issues and Risks	<ul style="list-style-type: none"> • Labor-employment relationship • Occupational safety and health • Training and education • Market status • Labour Relations 	<ul style="list-style-type: none"> • Economic performance • Smart Machinery • Marketing and labeling • Market status 	<ul style="list-style-type: none"> • Smart Machinery • Customer privacy • Economic performance • Market status • Marketing and labeling 	<ul style="list-style-type: none"> • Economic performance • Market status • Smart Machinery • Waste water and waste • Occupational safety and health 	<ul style="list-style-type: none"> • Smart Machinery • Industry-university cooperation • Occupational safety and health • Economic performance • Training and education
Risk Management Policies and Responses	<ul style="list-style-type: none"> • Sound salary and benefits, retirement system, labor insurance, health insurance and additional group insurance, etc. • Diversified employee communication channels and various mechanisms to take care of employees' physical and mental health • Regularly handle various educational trainings, reading clubs, lectures and degree training 	<ul style="list-style-type: none"> • At least quarterly board meetings are held to review business performance and discuss important strategic issues • The board of directors reviewed all possible major risks to formulate an operating plan, and strictly controlled through internal operation processes to continuously improve • The company's relevant important resolutions are immediately announced on the Taiwan Stock Exchange's public 	<ul style="list-style-type: none"> • Provide quality pre-sales and after-sales services through customer surveys and regular visits and exchanges • By updating web pages, linking to subsidiary websites and 3D website construction, allowing customers to quickly understand product and service information • Maintain customer visit data and after-sales service information through software 	<ul style="list-style-type: none"> • Carry out safety and health management and implement control for contractors, with a view to managing at the source and preventing occupational disasters • Regularly handle annual agreement organization meetings • Conduct annual appraisal of contractors • Conduct internal employee supervision training 	<ul style="list-style-type: none"> • Annually hold the Master of Mechanical Engineering, Doctoral Dissertation Award of HIWIN, and the competition for the implementation of HIWIN's intelligent robots • Automation Engineer Certificate Exam and Robot Engineer Certificate Exam • Comply with government regulations and other requirements • Corporate Social Responsibility Report Issuance Visiting Arrangements and

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

		<p>information observatory</p> <ul style="list-style-type: none"> • Internal control of privacy and business secrets 	<p>management; potential business opportunities information obtained from exhibitions and official website business opportunity messages can also be managed and tracked by software</p> <ul style="list-style-type: none"> • Provide cooperation in the product display / application combination of the Industrial Research Institute, the Science and Technology Museum and the education unit • Real-time online responses can be provided through mobile apps (official Line and WeChat) 		<p>Invitations</p> <ul style="list-style-type: none"> • HIWIN practitioners to teach at school to share
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Short-, medium- and long-term goals of ESG major themes:

	Short-term goal	Mid-term goal
Economic side	<ol style="list-style-type: none"> 1. Having a consolidated revenue of NT\$ 30 Billion. 2. Having a cumulative number of patent applications surpassing 3,000. 3. Having customer satisfaction increase by 5%. 	<ol style="list-style-type: none"> 1. The world's first brand of linear transmission control products. 2. Gradually practice intelligentized automation in the factory. 3. Assist the industry in moving toward smart manufacturing.
Environmental side	<ol style="list-style-type: none"> 1. Having the energy performance index (EnPI) of each operating site decrease by 1%. 2. In 2022, the solar power generation system will continue to complete the setting of more than 300KW. 3. In 2022, the use of recycled water will continue to increase, accounting for over 8% of the overall water consumption 4. 52% reduction in inorganic sludge (approximately 45 metric tons). 5. Waste oil and water reduction by 176 metric tons. 	<ol style="list-style-type: none"> 1. Having the energy performance index (EnPI) of each operating site reduced by 1~3%. 2. A total of 2,570KW of solar power generation capacity systems will be installed in 2024. 3. The recycled water rate accounts for >10% of the total water consumption.

Evaluation	Operation Status			Differences from Sustainable Development Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	

Social side	<ol style="list-style-type: none"> In 2022, the average training hours per person will surpass 35 hours. Maintain "0" penalty cases for violation of conflict minerals and prohibited and restricted raw materials. Continue to promote safety culture activities. Volunteer service hours in local public welfare activities to surpass 4,800 hours Volunteer service in local public welfare activities to surpass 1,650 person-times 	<ol style="list-style-type: none"> The average number of training hours for employees surpasses 40 hours. Continue to invest in talent cultivation and industry-university cooperation in the field of smart machinery to upgrade the industry. Invest in public welfare activities to achieve sustainable development Handle various security performance reward activities and cultivate the soft security capabilities of personnel at all levels.
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Financial implications of climate change risks:

Type	Item	Climate Risk	Term	Potential influence on finance	Response/Action Plan
Transition risk	Policies and Regulations	Greenhouse Gas Emissions Pricing	Short	Increase in investment, in equipment, and costs	<ol style="list-style-type: none"> Voluntary Greenhouse Gas Reduction and Reduced Energy Use Pass the ISO 14064-1, product carbon footprint inventory, ISO 50001 external verification
			Mid	<ol style="list-style-type: none"> Increase in operation capital Increase in costs due to fines 	
			Long	<ol style="list-style-type: none"> Increase operation capital Increase in costs due to fines 	
	Policies and Regulations	Reinforcing emissions reporting obligations	Short	Increase in operation capital	
			Mid	Increase in operation capital	
			Long	Increase in operation capital	
Market	Rising raw material costs	Short	<ol style="list-style-type: none"> Decrease in demand for products and services Increase in operation capital 	Increase the procurement channels of various alternative raw materials	
Physical risk	Immediacy	Drought	Short	Investing in equipment control increases costs/electricity and carbon emissions.	<ol style="list-style-type: none"> Tap water storage measures and signing of water truck scheduling operations Effectively utilize limited water resources, increase water recycling and reuse, and reduce water demand Build smart water meter monitoring equipment
	Long-term	Rise in average temperatures	Long	<ol style="list-style-type: none"> Increase in operation capital Increase in infrastructure costs 	<ol style="list-style-type: none"> Strengthening resilience and adaptation to climate-related disasters Relevant public equipment maintenance measures

Climate Opportunities and Financial Implications:

Type	Climate Opportunity	Term	Potential influence on finance	Response/Action Plan
Resource efficiency	Recycle and Reuse	Short	<ol style="list-style-type: none"> Decrease in operation capital Increase in processing fees and profits 	Process waste recycling
Resource efficiency	Reduce water use and water consumption	Short	Decrease in operation capital	Tap water reduction measures
Resilience	Participate in renewable energy projects and adopt energy-saving measures	Long	<ol style="list-style-type: none"> Purchase of energy-saving materials leading to increase in operating costs Energy saving benefits 	<ol style="list-style-type: none"> Purchasing Energy-Saving Products Constructing green power generators

(6) Implementation of Ethical Corporate Management:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
<p>1. Formulate policy and program for ethical corporate management</p> <p>(1) Whether the company has explicitly expressed the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of directors and management has fulfilled the commitment to the policy of ethical corporate management?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyses and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Code of Integrity Management of Listed OTC Companies?"</p> <p>(3) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) On November 6, 2014, the company passed the resolution to formulate the company's "Integrity Management Code", which was revised on May 11, 2016, March 26, 2016, and May 6, 2019 respectively. The code was then approved by the board of directors on November 6, 2019. The "Code of Ethics" expresses the company's policies and practices for honest business operations and the commitment of the board of directors and the management team to execute and implement related policies. The members of the board of directors and management all follow this code when conducting business. In addition, to strengthen employees' cognition and awareness of company's integrity management philosophy, the "Integrity Management Code" and "Ethical Code of Conduct" are publicly disclosed on the company's website.</p> <p>(2) The company has established "Employee Code of Conduct" and "Business Operation Procedures and Behavior Honesty Guidelines", which expressly states operational procedures and that it will begin disciplinary procedures according to the circumstances for any violation of Code of Ethics or corruption; for any violation of government decrees or corruption, anyone can report to independent directors, managers, internal auditors or other competent personnel by e-mail or in written report, and personnel of relevant units must report this to the Chairman after receiving the report; the internal auditors check whether the preceding system are followed irregularly and include dishonesty into the key points of such check to implement the rules. The behavior guideline states clearly the procedures and methods for reporting procedures, and establishes an independent report box for internal and external use, and a specific unit responsible for handling the reporting procedures, as well as how the records should be kept, and whether or not discretionary bonuses are reported. The information has been disclosed on the company's website.</p> <p>In accordance with the "Code of Integrity Management", the company has formulated the "Code of Ethics for Employee Practice", and this code is in accordance with subparagraph 2, Article 7 of the "Code of Integrity Management of Listed OTC Companies". This code applies to businesses with a high risk of dishonest behavior. Preventive measures are formulated for various types of dishonest behaviors, and the internal audit department also plays an important role in ensuring that employees are following professional ethics. To ensure that financial, management and operational information retains accuracy, reliability and timeliness, as well as to ensure that employee behavior is in accordance with relevant policies, standards, procedures and regulations, the internal auditing committee conducts various</p>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			<p>evaluations in accordance with the annual audit plan approved by the board of directors. The results of these evaluations are reported to the board of directors and employees of the company as a whole. The audit results relating to the management team and follow-up improvement plans should also be reported in order to ensure the implementation of the results.</p> <p>(3) 1. The "Guidelines for Integrity Management Operation Procedures and Behaviors" formulated by the company on November 10, 2015 expressly states that, without the permission of their supervisors, employees are subjected to return or rejection. Any violations shall be reported to their immediate supervisors and the chairman's office or the main unit responsible shall be notified. The company shall, depending on the nature and value of its interests, propose refunds, payments, return to the public, transfer to charitable organizations or other appropriate countermeasures.</p> <p>2. In order to ensure the implementation of integrity management, the Human Resources Department is the unit assigned to promote integrity management. The unit is responsible for the promotion and implementation of integrity management policies and prevention mechanisms. The audit office working directly under the board of directors conducts inspections periodically and engages in continuous tracking to ensure that improvements are made timely. If any irregularities are found, they are subject to reporting and review at any time.</p>	
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish a dedicated (or non-dedicated) unit under the Board to promote ethical corporate management and report to the Board regularly?</p> <p>(3) Has the company established policies to prevent conflicts of interest and provided appropriate communication channels, and implemented them?</p> <p>(4) Has the company established an effective accounting system and internal control system to implement ethical corporate management? Does the internal control unit audit on a regular basis or authorize the accountant to audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The company has established an effective assessment mechanism for its suppliers and outsourcers and the contracts with them state both parties' rights and obligations in details, and sign the confidentiality agreement and Integrity Deal Commitment.</p> <p>(2) The company promotes the integrity and management of corporate integrity management by the Human Resources Department, and the general manager acts as the convener, ensuring the integrity management based on the work and scope of each unit, and fully promoting the integrity of the company. All colleagues, managers and directors should abide by the "Code of Integrity Management". Relevant members also have the obligation to report to the Board of Directors. They report to the Board of Directors at least once a year and report to the Board of Directors on the implementation of the 2021 Integrity Management Performance Report on May 10, 2022.</p> <p>If a colleague discovers that there is any dishonest fact, it can also be reported through the company's public channel. If the circumstances are serious, it will be reported to the board of directors from time to time. The board of</p>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			<p>directors supervises whether it is implemented according to the code. The implementation in 2021 is as follows:</p> <ol style="list-style-type: none"> 1. Education and training: Open training courses such as regulations, check-ups, risk management, and prevention of fraud. In addition, we will arrange external training courses for corporate integrity forums and corporate fraud risks for supervisors and colleagues. 2. Compliance Declaration: In 2021, it mainly advocated the implementation of the company's business philosophy of "professional standards, enthusiasm for work, and ethics of practice. 3. Communication channels: Employees can report violations of integrity management to the Human Resources Department, various academic levels, and independent directors through various corridors, and the Human Resources Department is responsible for coordinating them. 4. Regular inspection: Each year, the self-assessment of the risk of corruption is implemented to achieve effective management and implementation, and the audit unit independently audits. There was no major corruption in 2021. 5. Reporting system: The company's website has stated that internal or external personnel can report dishonest behavior. In addition to protecting the identity of the sender, the audit unit will also conduct a special investigation. In 2021, 3 cases were accepted, all of which have been processed and successfully resolved. <p>(3) The company's internal staff can report conflicts of interest to their department managers and the audit department, or the chairman or the general manager will handle this personally through the feedback box.</p> <p>(4) The company's management ideas "Professional Level, Enthusiasm for Work and Professional Ethics" have shown its emphasis on ethical corporate management; to build and a corporate culture of ethical corporate management and develop well, it has established "Ethical Corporate Management Best-Practice Principles" and the internal audit unit has established internal audit plans to execute audit and check whether employees are honest or cheat irregularly.</p> <p>(5) The company advocates ethical corporate management ideas through morning meetings every month, providing new employees and</p>	

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes								
	Yes	No	Summary									
			<p>supervisors with basic and promotion trainings. The company has carried out relevant education and promotion for current directors and managers on May 10, 2022. Besides, it arranges external training courses, such as enterprise credit forums and business fraud discussion, for supervisors and colleagues. All promotional activities need to avoid conflicts of interest including, but are not limited to, accepting gifts from manufacturers, performing insider transactions, and keeping business secrets. Courses on integrity management in 2021 include management and occupational disaster case study analyses, how to perform effective problem solving for legal matters, and business management conferences. The following is a summary of the courses mentioned above:</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Number of Classes</th> <th>Held(Total Hours)</th> <th>People Times</th> </tr> </thead> <tbody> <tr> <td>Related Courses for Honest Corporate Management</td> <td>470</td> <td>3,490</td> <td>4,371</td> </tr> </tbody> </table>	Type	Number of Classes	Held(Total Hours)	People Times	Related Courses for Honest Corporate Management	470	3,490	4,371	
Type	Number of Classes	Held(Total Hours)	People Times									
Related Courses for Honest Corporate Management	470	3,490	4,371									
<p>3. Operation of the Company's offense reporting system</p> <p>(1)Has the company established a specific offense reporting and reward systems, set up convenient offense reporting channels, and appointed an appropriate person for the one who has been reported?</p> <p>(2)Has the company established standard operating procedures as well as a relative protection mechanism for whistleblowers?</p> <p>(3)Does the company take measures to protect whistleblowers from being inappropriately treated?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The "Employee Code of Conduct" of the Company has stated the offense reporting system, and a reward and punishment system for employees has also been established; to make it convenient for whistleblowers to report the breach of good faith, the Company has a feedback box on the company website for them to send mails to the chairman, the general manager and Human Resources Department directly. If Directors or the CEO receives such letters, they would instruct the Audit Office or Human Resources Department to handle the case. Separate mailboxes are also set up for internal and external personnel to send letters directly to independent directors. In addition, the Company has set up an independent report box or special line for internal and external use. It also specifies the information that the prosecutor needs to provide, the acceptance level of the different prosecutors, and the processing flow of the special duty unit in the integrity management operating procedures and behavior guidelines. Report bonuses and expose relevant information on the company's website.</p> <p>(2) The company has stated the investigation methods for offense reporting in "Employee Code of Conduct"; after receiving the report, personnel in relevant units should submit it to the chairman who will instructs relevant units to investigate and handle it in private, and the reported matter and the whistleblower should be</p>	None								

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			kept secret. (3) The company takes perfect protective measures for whistleblowers and doesn't disclose their names and other relevant information to guarantee the investigation quality and protect them from being retaliated or inappropriately treated.	
4. Strengthening information disclosure (1) Has the company disclosed its ethical corporate management policies and the implementation results on the company website and Market Observation Post System?	V		1. The company discloses its ethical corporate management ideas, corporate mission and brand meaning on both the company website and Market Observation Post System; besides, it puts "Ethical Corporate Management Best-Practice Principles" on the company website and Market Observation Post System. 2. Apart from disclosing its ethical corporate management principles on the company website, it also has a dedicated department for collecting and publishing the company information, and has disclosed relevant and reliable ethical corporate management information in the annual report and CSR report.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between the policies and their implementation: The Company has established the Company's "Code of Integrity Practice" and "Guidelines for the Operational Procedures and Conduct of Honest Business Operation" based on the "Code of Conduct for Listed Owned Firms". It is based on the examples issued by the Stock Exchange and it also requires the Company to operate. Relevant entities should implement the implementation and internalize the requirements of the above codes and behavior guidelines into daily operations management. Therefore, there is no significant difference between the actual operation and the codes and guidelines.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management: The Company conducts educational trainings regularly to advocate the principle of good faith; besides, it has made Commitment to Trade with Good Faith and required suppliers to sign to promise they do trade with it with good faith. The Company amended the regulations on May 6 th , 2019.				

(vii) Corporate Governance Rules and Regulations:

1. Corporate Governance Regulations:

- (1) It establishes Operating Procedures of Acquisition or Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Lending Funds to Other Parties, Rules and Procedures of Board Meetings and Organization Rules of the Remuneration Committee according to relevant norms set by Financial Supervisory Commission, Executive Yuan.
 - (2) It establishes Ethical Corporate Management Code, Code of Conduct, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Rules and Procedures of Shareholder Meetings and Rules Governing Election of Directors according to relevant norms and reference examples set by Taiwan Stock Exchange.
2. The information above can be downloaded in "Relevant Regulations and Rules Governing Corporate Governance" under "Corporate Governance" on Market Observation Post System or in "Relevant Rules Governing Corporate Governance" under "Investor" at http://www.HIWIN.com.tw/stock/corporate_governance.aspx.

(viii) Other Important information helpful for enhancing understanding of the corporate governance of the Company: none.

(IX) Implementation of the internal control system:

1. Statement on Internal Control Institution:

HIWIN TECHNOLOGIES CORP.
Statement on Internal Control Institution

HIWIN TECHNOLOGIES CORP.
Statement on Internal Control Institution

Date: February 25, 2022

The company hereby makes the following statement about its internal control system for 2021 based on its self- examination:

- 1.The company is aware that it is the Board and managers’ responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company’s operations, the reliability of its financial statements and compliance with relevant laws and regulations.
- 2.Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the above three objectives. In addition, an internal control system’s effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company’s internal control system. Once a deficiency is identified, the Company will immediately take corrective action.
- 3.The company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter, the “Regulations”). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system as specified in the Regulations which are broken down based on the management control process, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each component consists of several items. Please refer to the Regulations for the above items.
- 4.The company uses the criteria above to determine whether the design and implementation of its internal control system is effective.
- 5.After a test of the Company’s internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2021, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting and compliance with the law.
- 6.This statement shall become a principal part of the Company’s annual report and prospectus and be made available to the public. If the content of the above is untruthful or certain important information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- 7.This statement has been approved on February 25, 2022 by the Board, with none of the 9 directors present opposing it.

HIWIN Technologies Corp

Chairman: Chuo, Wen-Hen Signature

General Manager: Tsai, Huey-Chin Signature

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: none.

(x) In the last year and as of the publication date of the Annual Report, any disciplinary measures taken against the company or its internal staff according to law or taken by the company against its staff due to violations of the internal control system, the main deficiency and improvement: None

(xi) Major resolutions of Shareholder and Board Meetings in the last year and as of the publication date of the Annual Report:

1. Resolutions from the shareholders' meeting:

Date	Important Resolutions	Implementation Details
2021.07.26	Approved the 2020 business report and financial statement proposal	Relevant forms have been submitted for inspection and announcement in accordance with the company law and other relevant laws and regulations.
	Approved the 2020 surplus distribution proposal	According to the content of the resolution, a total of NT\$ 2.3 per share will be distributed. A cash dividend (NT\$ 2.0 per share) was issued on September 9, 2021, and a stock dividend (NT\$ 0.3 per share) was issued on October 25, 2021.
	New share issuance through capital increase of surplus	The distribution was processed according to the content of the resolution, and the listing of new shares was completed on October 25, 2021.
	Approved the amendments of the company's "Articles of Incorporation"	Took effect after the resolution of the shareholders' meeting was passed, and it was approved and registered by the Ministry of Economic Affairs on August 17, 2021.
	Approved the amendments of the company's "Procedures to Make Endorsements and Guarantees"	Took effect after the resolution of the shareholders' meeting was passed, and it will be announced in accordance with the regulations.
	Approved the proposal to lift the restriction on directors' non-competition	Take effect after the resolution of the shareholders meeting is passed, and release important information.

2. Resolutions from the board meeting :

Meeting Date	Important Resolutions
2021.03.23	Approval of the 2020 Employee Remuneration and Director Remuneration Proposal Approval of the 2020 "Internal Control System Statement" Approval of the 2020 annual business report Approval of the 2020 annual financial statements Approval of the 2020 surplus distribution plan Approval of the 2020 Annual Earnings Distribution of Cash Dividends Approval of the issuance of new shares by converting surplus into capital Approval of the amendments to some provisions of the Articles of Association Approval of the lifting of prohibition of competition on directors and managers Approval of the matters related to the holding of the 2020 General Meeting of Shareholders Approval and acceptance of the matters related to shareholder proposals Approval of the 2021 business plan Approval of the cash capital increase and endorsement guarantee case of the subsidiary Eterbright Solar Corporation Approval of the current increase and endorsement guarantee case of the subsidiary Matrix Precision Approval of the endorsement guarantee case of the Italian subsidiary Approval of the endorsement guarantee for the construction project of the Japanese subsidiary Approval of the overdue accounts of subsidiaries to be transferred to funds Approval of the donation of funds to the "HIWIN Education Foundation" Approval and revision of the employee salary and various compensation procedures
2021.05.05	Approval of financial statements for the first quarter of 2021 Approval of the Japanese subsidiary endorsement guarantee case Approval of subsidiary overdue account transfer funds loan case Approval and revision of the Endorsement Guarantee Management Measures Approval of the lifting of the restriction on competition of directors
2021.06.28	Approval of the postponement and location of the 2021 General Meeting of Shareholders Approval of the construction of Yunlin Science and Technology Park Factory Approval of the capital increase for the South Korean subsidiary Approval of the endorsement guarantee case of the subsidiary Eterbright Solar Corporation Approval of the endorsement of the Singapore subsidiary Approval of the transfer of overdue accounts of Japanese subsidiary overdue account transfer funds loan case
2021.08.05	Approval of the consolidated financial statements for the second quarter of 2021 Approval of the matters related to the ex-rights and capital increase base date for the distribution of surplus in 2020 Approval of the electromechanical engineering project of Yunlin Science and Technology Factory

Meeting Date	Important Resolutions
	<p>Approval of the capital increase of subsidiary MATRIX Approval of the endorsement guarantee case of the subsidiary Eterbright Solar Corporation Approval of the endorsement guarantee case of the subsidiary Matrix Precision Approval of the endorsement guarantee case of the South Korean subsidiary Approval of the lifting of the prohibition on competition of directors and managers Approval of the transfer of overdue accounts of Japanese subsidiary overdue account transfer funds loan case</p>
2021.11.05	<p>Approval of the 2021 Q3 Consolidated Financial Statements Approval of the cash capital increase and endorsement guarantee of the subsidiary Eterbright Solar Corporation Approval of the Endorsement Guarantee Case for subsidiary Matrix Precision Co. Approval of the financing endorsement guarantee case for the construction of the Japanese subsidiary's factory Approval of the endorsement guarantee case of the South Korean subsidiary Approval of Endorsement Guarantee Case for MATRIX Approval of the Japanese subsidiary overdue account transfer funds loan case Approval of the 2022 Internal Audit Plan Approval of the appointment of members of the nominating committee and the formulation of organizational rules</p>
2022.02.25	<p>Approval of the 2021 Employee Remuneration and Director Remuneration Proposal Approval of the 2021 "Internal Control System Statement" Approval of the 2021 annual business report Approval of the 2021 Financial Statements Approval of 2021 surplus distribution Approval of the amendments to some provisions of the "Articles of Association" Approval of the amendments to some of the provisions of the "Procedures for the acquisition or disposal of assets" Approval of the amendments to some of the provisions of the "Procedures for the selection and appointment of directors" Approval of the election of the Twelfth Board of Directors Approval of the time, place, proposal, and related matters of the 2022 Annual General Meeting of Shareholders and acceptance of shareholder proposals and matters related to the nomination of directors and independent directors Approval and revision of the director's performance and remuneration system Approval of the 2022 business plan Approval of the internal adjustment of Deloitte Touche Tohmatsu Accounting Firm and the proposal to replace the certified accountant Approval of the assessment of the independence and suitability of certified public accountants and the case of remuneration for appointment Approval of the endorsement guarantee of the subsidiary Eterbright Solar Corporation Approval of the endorsement guarantee case of the subsidiary Matrix Precision Approval of the Japanese subsidiary overdue account transfer funds loan case Approval of the donation of funds to the "HIWIN Education Foundation" Approval of the Amendments to the "Code of Practice on Corporate Governance" Approval of the revision of the "Procedures for Preventing Insider Transactions and Handling Internal Significant Information"</p>
2022.05.10	<p>Approval of the nomination of the list of candidates for the 12th session of the board and the review of the qualifications of independent directors Approval of the lifting of the prohibition on competition of the 12th session of directors and their representatives Approval of the amendment to the "Rules of Procedure for the Shareholders' Meeting" Approval of the change of venue of the 2022 general meeting of shareholders, new proposals for discussion, and related matters Approval of the financial statements for the first quarter of 2022 Approval of the domestic cash capital increase and issuance of ordinary shares Approval of the construction of the third phase of Yunlin Science and Technology Park's third plant. Approval of the endorsement guarantee case of the Japanese subsidiary Approval of the Japanese subsidiary overdue account transfer funds loan case Approval of the change of "Code of Practice on Corporate Social Responsibility" to "Code of Practice on Sustainable Development" Approval and revision of the director's performance and remuneration system</p>

(Xii) In the most recent year and as of the printing date of the annual report, directors have different opinions on important resolutions passed by the board of directors and have records or written statements: none.

(Xiii) Summary of the resignation and dismissal of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor in the most recent year and as of the printing date of the annual report: none.

IV. Information on Accountants

(i) Information on Accountant's Fees:

Unit: NTD Thousands

Name of the Accounting Firm	Name of CPAs	Audit Period	Audit Fees	Non-Audit Fees	Total	Notes
Deloitte & Touche	Wu, Li-Tung	2021.1.1 ~ 2021.12.31	NT\$ 5,590	NT\$ 1,115	NT\$ 6,705	Others mainly include the preparation of transfer pricing reports, the preparation of special-purpose inspection reports, the verification of profit-making capital, and the replacement of fees, etc.
	Tseng, Tung-Chun					

1. Paying at least one-fourth of non-audit fees to CPAs, their accounting firm, and its affiliates: no such case
2. Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: no such cases.
3. Audit fees paid in the current year are at least 10% less than those paid in the previous year: no such cases

(ii) CPA Independence

The company evaluates CPA Independence regularly based on the items below and reports the results to the board:

1. CPA Independence Evaluation Questionnaire
2. The same accountant hasn't executed certification work continuously for over 7 years
3. The company will confirm whether the audit results are affected before the non-audit services are provided

v. Information on Change of Accountant:

(i) About the former accountant

Change Date	2022.02.25		
Reasons and Descriptions			
Was the termination of audit services initiated by the Company or the CPA?	Situations	Involved Parties	Accountant / Appointer
	The company terminated the appointment.	Not applicable	
	The CPA rejected being appointed.		
Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years			
Having different opinions from the issuer	Yes	Accounting Principles or Practice	
		Disclosure of Financial Reports	

			Audit Range and Steps
			Others
	No	V	
	Description		
Other Disclosures (according to Sub-item 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)	None		

(ii) About the succeeding accountants

Name of the Accounting Firm	Deloitte & Touche
Name of Accountants	CPAs Wu, Li-Tung and Tseng, Tung-Chun
Date of Appointment	2022.02.25
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to appointment	N/A
Different opinions in written form made by the succeeding accountant from the former accountant	None

(iii) Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: Not Applicable.

vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within the Last Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed: none.

vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report

(i) Changes of shares held by directors, managers and major shareholders

Unit: shares

Title	Name	2021		2022 as of April 30th	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman and CEO	Chuo,Wen-Hen	189,894	-	-	25,000
Deputy Chairman	Chen,Chin-Tsai	14,564	-	-	(350,000)
Director and co-CEO	Chuo,Yung-Tsai	283,624	(300,000)	(3,400,000)	-

Title	Name	2021		2022 as of April 30th	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Director	Lee,Shun-Ching	247,841	-	-	-
Director	Sanko Investments Ltd	50,791	1,020,000	-	480,000
	Representative: Huang,Ching-Yi (Note 1)	9	-	-	-
Independent Director	Chiang,Cheng-He	-	-	-	-
Independent Director	Chen,Ching-Huey	-	-	-	-
Independent Director	Tu,Li-Ming	-	-	-	-
CEO	Tsai,Huey-Chin	(131,000)	-	-	-
Senior Deputy General Manager of Finance Office	Wu,Yue-Ching	3,026	-	-	-
Deputy General Manager of Marketing Business Group	Peng,Yen-Chi	(4,323)	-	3,000	-
Assistant General Manager of Chairman's Office (Note 1)	Chu,Yue-Ling	(7,000)	-	-	-
Assistant General Manager of Chairman's Office	Wu,Chun-Liang	(7,355)	-	-	-
Assistant General Manager of Chairman's Office	Yang,Chuang-Bao	400	-	-	-
Assistant General Manager of System Development Business Department	Wang,Fu-Ching	(5,545)	-	-	-
Assistant General Manager of Finance Office	Liao,Ke-Huang	1,199	-	-	-
Executive Assistant Manager of Production Business Group	Lee,Wen-Bin	(2,628)	-	-	-
Assistant Manager of Chairman's Office	Chiu,Shih-Rong	(3,868)	-	-	-
Assistant Manager of Chairman's Office	Chen,Hong-Ming	302	-	-	-
Senior Assistant Manager of Information Office (Note 2)	Chang,Yong-Ming	(1,970)	-	-	-
Senior Assistant Manager of Chairman's Office (Note 3)	Huang,Lee-Hong	(1,432)	-	-	-

Title	Name	2021		2022 as of April 30th	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Senior Assistant Manager of Chairman's Office (Note 4)	Yang, Fong-Ming	(3,000)	-	-	-
Assistant Manager of Production Business Group (Note 5)	Wu, Wen-Chia	151	-	-	-
Assistant Manager of the Business Office (Note 6)	Chang, Kun-Yao	235	-	-	-
Assistant Manager of Project Development Department (Note 7)	Dong, Cheng-Wei	-	-	-	-
Assistant Manager of Quality Assurance Department (Note 8)	Chou, Yi-Hsiu	90	-	-	-

Note 1: Chu, Yue-Ling was relieved on 2021.04.01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 2: Chang, Yong-Ming was relieved on 2022.04.15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 3: Huang, Lee-Hong was relieved on 2022.02.01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 4: Yang, Fong-Ming was relieved on 2022.03.01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 5: Wu, Wen-Chia was relieved on 2022.04.15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 6: Chang, Kun-Yao was relieved on 2021.10.01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 7: Dong, Cheng-Wei was relieved on 2021.01.30, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 8: Chou, Yi-Hsiu was relieved on 2022.04.15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

(ii) Stock transferred to related parties: none.

(iii) Stock rights pledged to related parties: none.

viii. Information of the 10 Largest Shareholders Who Are Related, or Couples or Relatives within the Second Degree of Kinship

April 30th, 2022
unit: share; %

NAME OF MAJOR SHAREHOLDERS	SHARES HELD PERSONALLY		SHARES HELD BY SPOUSE OR MINOR CHILDREN		COMBINED SHARES HELD IN THE NAME OF OTHERS		NAMES AND RELATIONSHIP OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED, COUPLES OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title/Name	Relationship	
HIWIN Investment Corporation Representative: Chuo, Wen-Hen	26,261,299	7.71%	-	-	-	-	Chuo Wen-Hen	Chairman	
	6,828,702	2.00%	206,000	0.06%	-	-	Chuo, Yung-Tsai Chuo, Hsiu-Min Chuo, Hsiu-Yu	Director Supervisor Director	

Nanshan Life Insurance Co., Ltd. Representative: Cheng, Tang	13,124,887	3.85%	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Chuo, Yung-Tsai	10,972,759	3.22%	1,261,814	0.37%	-	-	Chuo, Hsiu-Min Chuo, Wen-Hen Chuo, Hsiu-Yu	Within the First Degree of Kinship	
Lee, Shun-Chi	8,509,232	2.50%	18,882	0.01%	-	-	First Bank Trust-Fund Account Appointed by Lee, Shun-Chi	-	
Chuo Wen-Hen	6,828,702	2.00%	-	-	-	-	Chuo Yung-Tsai Chuo, Hsiu-Min Chuo, Hsiu-Yu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
The Business Department of Standard Chartered International Commercial Bank is entrusted with the custody of the Fidelity Emerging Markets Fund Investment Account	6,097,444	1.79%	-	-	-	-	-	-	
First Bank Trust-Fund Account Appointed by Lee, Shun-Chi	6,000,000	1.76%	-	-	-	-	Lee, Shun-Chi	-	
Chuo, Hsiu-Min	5,243,426	1.54%	433,959	0.13%	-	-	Chuo Yung-Tsai Chuo, Wen-Hen Chuo, Hsiu-Yu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Chuo, Hsiu-Yu	5,200,217	1.53%	1,030	0.00%	-	-	Chuo Yung-Tsai Chuo, Hsiu-Min Chuo, Wen-Hen	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
HSBC entrusts Sumitomo Global Robotics Equity Fund to trustee Japan Custody Bank Co., Ltd.	5,039,850	1.48%	-	-	-	-	-	-	

ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses

December 31st, 2021
Unit: Shares; %

Reinvestment Business	Investment of the Company		Investment of Business Directly or Indirectly Controlled by Directors, Supervisors and Managers		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
HIWIN Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
HIWIN GmbH, Germany	Note	100%	-	-	Note	100%
HIWIN Corporation, Japan	62,200	100%	-	-	62,200	100%
Eterbright Solar Corporation	345,460,592	85%	14,068,023	4%	359,528,615	89%
HIWIN Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
HIWIN Corporation, Korea	1,760,000	100%	-	-	1,760,000	100%
HIWIN S.R.L. Italy	Note	100%	-	-	Note	100%
HIWIN Corporation, China	Note	100%	-	-	Note	100%
HIWIN Healthcare Corp.	100,000	100%	-	-	100,000	100%
Matrix Precision Ltd. (Formerly Luren Precision Ltd.)	34,294,075	50%	5,349,323	8%	39,643,398	58%
Matrix Precision Suzhou Co., Ltd.	-	-	Note	50%	Note	50%
Matrix Machine Tool (Coventry) Ltd.	5,449,500	100%	-	-	5,449,500	100%
HIWIN (Schweiz) GmbH	243,000	81%	57,000	19%	300,000	100%

Note: No shares issued

IV. Capital Overview

i. Capital and Shares

(i) Source of Capital

Unit: NT\$ Thousand; Thousand shares

Date	Issue Price	Authorized Stock		Paid-Up Capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of Capital	Subscriptions Paid with Property other than Cash	Other
1999.10.08	12	130,500	1,305,000	123,500	1,235,000	Cash Capital Increase	None	1999.08.05 (88)TCZL(1)No. 72181
2001.10.22	10	151,900	1,519,000	135,850	1,358,500	Capital Increase out of Earnings or Capital Reserves	None	2001.08.14 (90)TCZL(1)No. 151591
2002.10.15	10	151,900	1,519,000	139,925	1,399,255	Capital Increase out of Earnings	None	2002.08.14 (91)TCZL(1)No. 145107
2003.10.09	10	151,900	1,519,000	145,544	1,455,442	Capital Increase out of Earnings	None	2003.08.15 (92)TCZL(1)No. 137138
2004.10.05	10	191,038	1,910,380	156,918	1,569,178	Capital Increase out of Earnings	None	2004.08.06 FSC Certificate No.0930135195
2005.10.05	10	191,038	1,910,380	177,706	1,777,059	Capital Increase out of Earnings	None	2005.08.09 FSC Certificate No.0940132392
2006.08.02	10	300,000	3,000,000	201,345	2,013,448	Capital Increase out of Earnings	None	2006.08.02 FSC Certificate No.0950133960
2009.06.25	24	300,000	3,000,000	223,390	2,233,898	Cash Capital Increase	None	2009.01.08 FSC Certificate No.0970071383
2010.08.16	10	300,000	3,000,000	227,858	2,278,576	Capital Increase out of Earnings	None	2010.06.25 FSC Certificate No.0990032889
2011.08.29	10	300,000	3,000,000	234,693	2,346,933	Capital Increase out of Earnings	None	2011.07.11 FSC Certificate No.1000031785
2012.09.17	10	300,000	3,000,000	246,428	2,464,280	Capital Increase out of Earnings	None	2012.07.13 FSC Certificate No.1010031169
2013.09.18	10	300,000	3,000,000	253,821	2,538,208	Capital Increase out of Earnings	None	2013.07.18 FSC Certificate No.1020027958

2014.09.15	10	300,000	3,000,000	261,435	2,614,354	Capital Increase out of Earnings	None	2014.07.14 FSC Certificate No.1030026626
2015.09.02	10	300,000	3,000,000	269,278	2,692,785	Capital Increase out of Earnings	None	2015.09.02 FSC Certificate No.1040027343
2016.09.21	10	300,000	3,000,000	274,664	2,746,640	Capital Increase out of Earnings	None	2016.09.21 Department of Economy-Authorization No.10501226510
2017.09.01	10	300,000	3,000,000	280,157	2,801,573	Capital Increase out of Earnings	None	2017.09.01 Department of Economy-Authorization No.10601126420
2018.08.22	10	300,000	3,000,000	288,562	2,885,620	Capital Increase out of Earnings	None	2018.08.22 Department of Economy-Authorization No.10701102130
2018.10.05	250	500,000	5,000,000	300,562	3,005,620	Cash Capital Increase	None	2018.10.05 Department of Economy-Authorization No.10701122430
2019.08.27	10	1,000,000	10,000,000	309,579	3,095,789	Capital Increase out of Earnings	None	2019.08.27 Department of Economy-Authorization No.10801118450
2020.09.16	10	1,000,000	10,000,000	318,866	3,188,663	Capital Increase out of Earnings	None	2020.09.16 Department of Economy-Authorization No.1090168200
2021.01.28	195	1,000,000	10,000,000	330,866	3,308,663	Cash Capital Increase	None	2021.01.28 Department of Economy-Authorization No.11001002260
2021.10.04	10	1,000,000	10,000,000	340,792	3,407,922	Capital Increase out of Earnings	None	2021.10.04 Department of Economy-Authorization No. 11001184000

Type of Shares	Approved share capital			Remarks
	Outstanding Shares	Unissued Shares	Totals	
Registered common stock	340,792,240	659,207,760	1,000,000,000	-

Information for Shelf Registration System: none.

(ii) Shareholding Structure

April 30th, 2022

Shareholding Structure Quantity	Governmental Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Outsiders	Total
Number of People	5	12	388	50,777	706	51,888
Number of Shares held	8,783,038	19,320,164	47,127,307	132,175,320	133,386,411	340,792,240
Shareholding Ratio	2.58%	5.67%	13.83%	38.78%	39.14%	100.00%

(iii) Equity Distribution

April 30th, 2022

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio
1~999	29,722	2,982,467	0.88%
1,000~5,000	18,770	33,485,384	9.83%
5,001~10,000	1,802	12,650,289	3.71%
10,001~15,000	562	6,826,686	2.00%
15,001~20,000	233	4,085,021	1.20%
20,001~30,000	208	5,120,812	1.50%
30,001~50,000	193	7,427,115	2.18%
50,001~100,000	149	10,414,159	3.06%
100,001~200,000	81	11,246,100	3.30%
200,001~400,000	56	15,284,524	4.48%
400,001~600,000	31	14,826,929	4.35%
600,001~800,000	15	10,724,523	3.15%
800,001~1,000,000	10	9,079,081	2.66%
1,000,001 and above	56	196,639,150	57.70%
Total	51,888	340,792,240	100.00%

(iv) List of Major Shareholders

April 30th., 2022

Name of Major Shareholders	Share	Number of Shares held	Shareholding Ratio
HIWIN Investment Corporation		26,261,299	7.71%
Nanshan Life Insurance Co., Ltd.		13,124,887	3.85%
Chuo Yung-Tsai		10,972,759	3.22%
Lee,Shun-Chi		8,509,232	2.50%

Chuo Wen-Hen	6,828,702	2.00%
The Business Department of Standard Chartered International Commercial Bank is entrusted with the custody of the Fidelity Emerging Markets Fund Investment Account	6,097,444	1.79%
First Bank Trust-Fund Account Appointed by Lee,Shun-Chi	6,000,000	1.76%
Chuo,Hsiu-Min	5,243,426	1.54%
Chuo,Hsiu-Yu	5,200,217	1.53%
HSBC entrusts Sumitomo Global Robotics Equity Fund to trustee Japan Custody Bank Co., Ltd.	26,261,299	7.71%

(v) Market price, net value, earnings, dividends and other relevant information for the last two years

Item		Year			
		2020	2021	2022 until March 31st	
Market Price per share	Highest	391.50	468.00	317.00	
	Lowest	179.50	275.00	237.00	
	Average	292.03	365.11	265.86	
Net Value per share	Pre-Distribution	83.30	88.85	88.32 (Note 2)	
	Post-Distribution	78.93	(Note 1)	-	
Earnings per Share	Weighted Average Number of Shares (1000 Shares)	328,770	340,792	340,792 (Note 2)	
	Earnings per Share (after tax)	6.05	10.36	1.56 (Note 2)	
	Earnings per Share (after tax) after retroactive adjustment	5.87	10.36	1.56 (Note 1)	
Dividend per Share	Cash Dividends		2.0	4.5	-
	Stock Dividends	Surplus Distribution	0.3	0	-
		Allotment of capital reserve	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Analysis of Return on Investment	Price/Earnings Ratio		48.27	35.24	-
	Price/Dividend Ratio		146.02	81.14	-
	Cash Dividends Yield		0.68	1.23	-

Note 1: The earnings distribution for 2021 has not yet been approved by the Shareholders' Meeting

Note 2: The financial statement of the first quarter of 2022 has been audited by the accountant.

(vi) Dividend Policy and Implementation

1. Dividend Policy

The company has passed the amendment to the Articles of Association on June 28, 2019. According to the revised Articles of Association's surplus distribution policy, when distributing the surplus in each fiscal year, it shall first make up for the loss and set aside 10% as the statutory surplus reserve. However, when the statutory surplus reserve has reached the company's total capital, it is not subject to this limit. And in accordance with other laws and regulations to set aside (or reversal) special surplus reserve, the second dividend increase is less than 6% (inclusive). The distribution of

surplus can be made in the form of cash dividends or stock dividends, but the proportion of stock dividends is not higher than two-thirds of the total shareholder dividends and shareholder dividends for the year.

The company may take into account the financial, business and operational factors and other factors, the amount remaining after deduction according to the amount specified in the preceding paragraph and the same as the undistributed surplus in the previous period and the full or part of the distributable surplus in the current year.

The articles of incorporation of the company not yet clearly specified the distribution ratio of shareholders' dividends, because the profit for the current year will be subject to adjustment based on future capital expenditure and capital situation, and shall be handled per resolution of the shareholders' meeting. As the company continues to expand factories, expand the scale of investment, and develop new products, it is necessary to retain a certain level of funds. It is estimated that the dividend distribution ratio in the near future should not differ significantly from approximately 30% to 40% in the past five years.

2. The dividend distribution proposed at the shareholders' meeting

The 2021 earnings distribution plan, as resolved by the board of directors on February 25, 2022, proposed to allocate a total of NT\$ 1,533,565,080 in dividends to shareholders (NT\$ 4.5 per share), all distributed in cash, and the cash dividends will be submitted to the shareholders meeting according to the law after the board of directors approves and authorizes the chairman to set the dividend base date for distribution.

3. Explanations of expected major changes in dividend policy: none

(vii) The influences of the bonus shares proposed at the shareholders' meeting on the Company's business performance and earnings per share: not applicable because the company did not disclose financial forecasts for 2021.

(viii) Employee Bonuses and Remunerations of Directors

1. Percentage or scope of employee bonuses and remunerations of directors and provided for in the Articles of Incorporation:

The company's remuneration includes principal salary, various bonuses and employee dividends. The amount of various bonuses and employee dividends depends on the company's overall operating performance and employee performance.

According to Articles of Incorporation, if the company has earnings at the end of a fiscal year, it should make an allocation in this way: (1) a minimum of 1% for employee remunerations, (2) a maximum of 4% for directors' remunerations. The distribution proposal of employees' bonuses and directors' remuneration shall be reported to the shareholders' meeting. However, in case that the Company still has accumulated losses, the amount for offset shall be reserved, then the employees' and directors' remuneration may be distributed according to the above proportions.

2. Basis for estimating the amount of employee bonuses and remunerations of directors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

At the end of the fiscal year, material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts still differ from the proposed amounts after the publication of the annual financial statement, the differences are charged to the earnings of the following year as a result of change in accounting estimate.

3. Information on proposals passed by the board of directors to distribute employee bonuses:

(1) Remunerations to employees, directors and supervisors in the form of cash bonuses: NT\$ 297,411,042 for employees and NT\$ 148,705,521 for directors. The estimated

ratios were 6.0% and 3.0%, respectively, in compliance with Articles of Incorporation of the Company.

(2)The proportion of the number of shares for employees as remunerations to net profits after tax and the total of employee bonuses of the individual or individual financial reports in the current period: Not applicable.

4. The actual distribution of employee bonuses and remunerations of directors and in the previous year

(1)The employee remunerations distributed in cash were NT\$ 154,385,363 in 2021.

(2)The actual remunerations of directors were NT\$ 77,192,681 in 2021.

(3)There is no difference between the actual distribution and the distribution passed at the Board Meeting.

(ix) **Stock buyback:** none.

ii. Issuance of Corporate Bonds: none.

iii. Issuance of Preferred Stocks: none.

iv. Issuance of Global Depositary Receipts (GDR): none.

v. Exercise of Employee Stock Option Plan (ESOP): none.

vi. Acquisition of New Restricted Stock: none.

vii. Mergers and Acquisitions of New Shares Issued by Other Companies: none.

viii. Execution of Capital Utilization Plan: The company hasn't issued marketable securities or completed the private placement of marketable securities, has completed the plan in the recent 3 years, with no plan effects shown.

V. Business Overview

i. Business Content

(i) Business Scope

1. The Main Content of the Company's Business:

The company is mainly engaged in R&D, design, manufacturing, sale, maintenance and pre-sales and after-sales services of linear guideway (GW), ball screws (BS), industrial robots, wafer robots, precision bearings, various robot arms, rotary tables, medical equipment semiconductor devices.

2. Business Proportion:

The turnover of 2021: GW for 64%, BS for 21%, industrial robots for 7%, others 8%.

3. The Current Product (Service) Items:

Our company provides key components, industrial robots, special machines and after-sales services for machine tools, industrial machinery, bioscience, medical equipment, equipment of electronics industry, photoelectricity, semiconductor devices and automation, etc. The current main products of the company are listed below:

Product Category		Series
1	GW	Self-lubricating, quiet, roller, overload, microminiature, intelligent, dustproof, high rigidity, light weight, high torque resistance, cross configuration, extremely-low
2	BS	Precision grinding, precision rolling, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
3	Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, scale robotic arm series, wafer robotic arm series, electric gripper, end effector
4	Rotary Tables	Biaxial two-arm rotary table, Biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table
5	Reducer	Harmonic Reducer
6	Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
7	Medical Equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgery

4. New products (service) slated for development:

- (1) Expansion of the next-generation smart linear slide i4.0GW specification.
- (2) Development of a new series of wafer robots.
- (3) Development of a new generation of endoscope supports for robotic arms (abdominal cavity).
- (4) Development of a new generation of steering system ball screw.
- (5) Expansion of the specifications of the compound high-speed turntable.

(ii) Industry Overview

1. Development and Current Situation of the Industry:

In 2021, the world saw the promotion of economic revitalization policies, relief and subsidy measures of major economies, and the spread of vaccines against COVID-19. The above will assist the global demand of terminal markets to gradually recover from the severity of the pandemic, and manufacturing purchasing managers' indices of major countries are expected to rise. Stemming from this, imports and exports will grow, creating a trend of economic recovery. The development of the industry revolves around the "new normal" in economic trends in the post-pandemic era. The digital transformation of various industries has sparked a large demand for semiconductors, 5G communications, AI, virus detection and medical equipment in response to the pandemic, and the electric vehicle industry is also on the rise due to environmental risks.

The semiconductor industry plays an important role in new technologies such as AI, 5G, IoT, AR/MR. These technologies affect the development of terminal applications of semiconductors. Some of these applications

include future vehicles, new energy, smart manufacturing, robots, health wear, data centers, and aerospace industries. These technologies have gained the governments of several countries' attention and some of these countries have even regarded these as a national issue. According to the "World Fab Forecast" released by SEMI in June 2021, it is predicted that the world plans to build 29 new fabs in 2021 and 2022. This will cause the demand for related equipment to increase greatly. SEMI estimates that the global semiconductor equipment market will have over USD\$ 100 Billion in business opportunities in 2022. Taiwan's semiconductor industry is a leader in the world in terms of manufacturing processes and has the world's largest capacity for foundry. There was a global semiconductor wafer shortage in 2021. This is expected to make Taiwan's semiconductor capacity utilization rate exceed 100%. ITRI estimates that the output value of Taiwan's semiconductor industry will exceed NT\$ 4 Trillion in 2021 and reach NT\$ 4.1 Trillion, with an annual growth of 25.9%. In 2022, this number is expected to approach NT\$ 4.5 Trillion, with an annual increase of 12%. Key components produced by HIWIN are important supply components for equipment involved in semiconductor production. In addition, HIWIN's semiconductor wafer robotic arm and Equipment Front End Module (EFEM) are also controlled by self-made components and system integration. For customers with different processing and application needs, we provide customized services to accelerate the process of semiconductor self-production and process automation in various countries.

The electric vehicle market has grown faster than experts expected as awareness of the environmental and climate crisis has increased around the world. Certain countries have formulated policies for the electrification of vehicles and some have even issued bans on the sale of traditional fuel vehicles. Bloomberg New Energy Finance (BNEF) estimates that the total global electric vehicle sales in 2021 will reach 5.6 million units. This is an increase of more than 80% in comparison to 2020. Increasing sales will accelerate the global adoption of electric vehicles. In terms of the development of international car manufacturers, TrendForce believes that after the pure electric platforms of traditional international car factories start to undergo production, the number of pure electric car models will increase and market introduction will accelerate. Dozens of automakers around the world have made announcements to boost production of electric vehicles. Among these are GM and Ford. Toyota also recently announced a plan to accelerate the production of electric vehicles, and will invest 2 trillion yen in the development of automotive battery technology, and will release 30 new electric vehicles by 2030.

As for vehicle components, more and more vehicles in the future will utilize electrification, structural lightweighting, and vehicle intelligence as the core technologies. This phenomenon will accelerate the rise of advanced driver assistance systems for ADAS smart fuel vehicles and electric vehicles. This will create a new demand for electric power steering systems (R-EPS) and automotive ball screws. In recent years, Mainland China has been a leader in the development of these technologies. However, in response to global environmental protection issues, the country has implemented increasingly stringent regulations on fuel consumption and pollution emissions. Therefore, the Mainland Chinese market is predicted to switch to ball screws for electric assistance in the future. The potential market has huge business opportunities. The VBS ball screw (VBS) is used in the steering system, transmission system, suspension and shock absorber system, and braking system of vehicles. This replaces the traditional hydraulic design. It has the advantages of high mechanical efficiency. It can also save energy and contribute to environmental protection. It also provides comfort and boasts the advantage of low noise. With the development trends in vehicle intelligence and electrification, ball screws play a key component in the automotive field. They are becoming more widely used. In addition, HIWIN has built automatic production lines for automobile products. The company also provides services for major automobile manufacturers in Japan and Europe to assist in the switch over to smart manufacturing.

With regard to automatization, the US-China trade war and the COVID-19 pandemic continue to ravage the world. This has led to the great migration of the manufacturing industry. Although vaccination rates have increased, economic growth is slow due to unemployment pressures. This has forced manufacturers to accelerate the adjustment of the supply chain. They also have to master the production technology of key components and continue to accelerate the development of manufacturing automation in various countries. The growth rate of industrial robots is worth mentioning. The reduction of the labor force due to downward trends in global birthrate, and the rising labor costs in China and Southeast Asia demonstrate the urgent need to automate production lines. According to the estimates of the International Federation of Robotics (IFR), the cumulative installed volume of industrial robots will reach 3.78 million units in 2021. This is nearly double the actual 1.83 million units in 2016. This is especially important for the Chinese manufacturing industry, since it has been adversely affected by the US-China trade war. In actuality, there is a growing trend of orders returning to China in the post-pandemic era. However, issues in the lack of labor and rising labor costs in China still

persist. The only viable solution is to accelerate the process of automation. However, in order to achieve the goals of smart manufacturing, it requires the cooperation and investment of key components and machinery, robots and system integration (SI) to make progress. HIWIN is one of the industry's pioneers in promoting smart manufacturing. The company has already included SI players as part of the integrated services, and will continue to integrate upstream and downstream resources.

Hyperautomation is one of Gartner's top 10 strategic technology trends for 2022. This includes tools such as robotic process automation (RPA), machine learning (ML), and artificial intelligence (AI) that work in unison to automate complex business processes. Hyperautomation is an extension of traditional process automation that goes beyond the boundaries of a single process. According to the International Federation of Robotics (IFR), the cumulative number of industrial robots is expected to reach 420,000 units in 2022. This is an increase of 5% from the estimated 400,000 units in 2021. Factories that require a lot of manpower have been affected by the pandemic. The productivity of factories has also been affected. Enterprises have to maintain a certain degree of productivity and this is an important concern. In order to solve this issue, they need to figure out how to reduce labor or implement remote monitoring and operations through automated equipment or industrial robots. All of HIWIN's products, robots, and electromechanical integration provide customers with total solutions.

In 2021, major global consumer markets gradually recovered from the COVID-19 pandemic. These include markets in Europe and the United States. The machine tool industry also undergo recovery and growth. 5 major aspects affecting the development of the machine tool industry include: (1) Policy: the US-China trade war and the COVID-19 pandemic accelerate the implementation of domestic manufacturing and decentralized manufacturing policies; (2) Environment: in response to global climate change and the recent trends in energy conservation and carbon reduction, the use and R&D of manufacturing products need to take into account energy saving, carbon reduction, and the recycling of materials; (3) Society: reductions in the labor force increase the demand for the automation of machine tool production lines; (4) Technology: the development of information communications and smart technology help improve the overall performance of machine tools. The trend of automobile electrification will also change the demand and product line of machine tools; (5) Economy: changes in the structure of the global manufacturing supply chain have led to changes in the demand for machine tools. From the perspective of the above five aspects, multi-axis and high-efficiency are the new directions that the upgrading and development of global machine tools are heading towards. This new demand will continue to expand to high-end five-axis machines and composite processing machines. Four-axis and five-axis Torque Motor rotary tables boast the advantages of high-precision and high-efficiency. However, these products currently account for less than 10% of the overall market. The market mostly consists of European machines. It is expected that this all-electric Torque Motor rotary table will gradually become the mainstream product in the markets of many regions. These include Japan, Europe, Taiwan, and Mainland China. The market for these products is expected to grow 40% in the next 2 to 3 years.

In Mainland Chinese machine tool industry, the competitiveness of low-end and general-purpose machine tool products has declined. Unfortunately, upstream and downstream orders are approaching all time lows. This phenomenon demonstrates the urgent need for companies to transform and upgrade to high-end differentiated products. In addition, American remanufacturing firms require high-end tools. In light of recent trends, it is even more certain that medium and high-end machine tool products will become high in demand. This is because they are predicted to become the mainstream for the transformation and upgrading of the global manufacturing industry in the future. The development of global machine tools is trending towards multi-axis and high efficiency. In general, the future development of machine tools will continue to be upgraded to high-end five-axis machine tools. This will gradually increase demand for related products. Currently, these four-axis machine tools have the advantages of high-precision and high-efficiency. The five-axis Torque Motor rotary table only accounts for 5% of the overall market, and most buyers are in Europe. It is expected that this all-electric Torque Motor rotary table will gradually become a new market trend. The market for this product is expanding, and it is expected to grow significantly. The Mainland is pushing for "Made in China 2025". This is a sign that enterprises urgently need to transform and upgrade. In addition, American remanufacturing firms also require high-end machine tools. It is even more certain that mid-to-high-end machine tool products will be key mainstream items in the transformation and upgrading of the global manufacturing industry in the future. In addition, the automobile industry accounts for nearly 50% of global machine tool consumption. However, the development trend of electric vehicles will affect the types of future machine tools sold. Also, the equipment required to build 5G infrastructure will bring new business opportunities to the field of industrial machinery.

The global population is aging. This phenomenon is continuously driving up the demand for medical care. Several technological advances such as AI and 5G, in addition to the general shortage of nursing staff around the world, have accelerated the development of precision medicine and smart health care. According to a survey by Radiant Insights, this market will reach a value of US\$ 584.7 billion by 2025. It is also expected to have an annual growth rate of 12.8%. COVID-19 has caused the structure of the medical industry to change drastically. New demands for telehealth have stimulated the development of technology to be used in the medical industry. During the epidemic, European and American countries have announced the emergency use authorization (EUA) of pandemic-related products. These policies have driven the growth of research and development of epidemic-related medical equipment. Some items included are molecular testing equipment, blood analysis equipment, and respirators. In addition, the epidemic has changed the playing field of healthcare. It has also caused precision health, digital medicine, and telemedicine to become much more popular than they have been in the past. Also, the rapid response and widespread application of 3D printing technology has been used in many fields. This includes the research and development of medical materials, such as dentistry, orthopedics, surgical instruments, hearing aids, and tissues and organs. This technology can be expected to continue to play an important role in the medical industry in the post-pandemic era. Precision components produced by HIWIN are for rapid shipment during the pandemic and aim to assist in building supply biochemical analyzers and blood testing equipment. HIWIN also provides advanced components including ball splines and reducers. These will be used in more precise and high-end medical equipment applications. They will help the rapidly changing medical market become more resilient and innovative.

The medical care industry is also impacted by technologies such as big data, artificial intelligence, and the Internet of Things. As a result, the structure of medical care has changed drastically. In addition to the fact that the location as to which medical treatment is offered is no longer limited to hospitals, industrial development has also shifted from the treatment of disease to holistic health for preventing the onset of disease. The interface that facilitates these changes is the Internet of Medical Things (IoMT). This new technology connects medical equipment with internet connection capabilities. Through the integration of clinical knowledge and technology, medical equipment can be programmed and used remotely. This can improve the efficiency and accuracy of treatment. In 2021, as more electronics manufacturers invest in the medical field, the infrastructure for information integration will also be on the road to completion. Physicians and developers can focus more on the application level, and they can experience the maximum number of benefits. At this point, there is a necessity for equipment that can accurately execute commands in order to assist in completing treatment for patients.

Another important industry trend is the application of human-like robots that provide assistance in the field of surgery. These robots combine cutting-edge imaging technology and precise positioning. They can exceed the limitations of human vision and have the ability to reduce errors caused by the fatigue of surgeons. This can reduce the probability of surgical failure. In addition, four new surgical robots have been approved by the FDA and CE for sale on the market. The addition of competitors will accelerate the automation of surgery and lower the requirements for hospitals to adopt this innovative technology. As more users adopt this technology, the benefits of robots in assisting surgical procedures will be more clearly defined. As a result, physicians will be able to choose the best treatment method for their patients. Forbes pointed out that due to the rapid aging of the global population and the increasing number of individuals with chronic illnesses, medical care costs and social burdens have risen. These are urgent issues and they act as the main driving force for developing smart healthcare.

The machinery industry is the main force that is driving industrial upgrades. Many fields are closely related to the machinery industry. These include high-tech manufacturing, construction projects, agriculture, and even mining. Therefore, there is the saying "the machine is the mother of industry". IEK pointed out that "smart machine industrialization" and "industrial intelligence mechanization" are the two main visions proposed by current policies. The manufacturing industry has experienced increasing demand for smart automation and the applications of industrial robots. HIWIN offers industry-leading electromechanical integration products. The company is committed to transforming and upgrading smart manufacturing for clients coming from all kinds of industries. Besides key components, motor components, and robots, HIWIN also actively cooperates with system integrators (SI) to supply customers with automated production line system services. In addition to the development of smart machinery, i4.0BS and i4.0GW integrated sensors are built into the products. These sensors collect mechanical data and improve the degree of intelligentization of various processes.

2. The relevance of the upper stream, midstream and lower stream of the industry:

Raw Materials (Upper Stream)	Main Products	Main Application (Lower Stream)
Steel, Steel Ball	BS, GW	Semiconductor, opto-electronics manufacturing and test equipment, automation equipment, medical equipment of bioscience, electronic industry, machine tool, industrial machinery

3. Development trend of products:

Smart manufacturing is a global trend, and HIWIN has deployed smart automation and robotics for a long time, and its products are moving towards high value-added products, high-end manufacturing and digital applications. In addition to developing its own intelligent ball screw, HIWIN has formed an alliance with Taiwan and the International Semiconductor Industry Association, Taiwan Smart Automation and Robotics Association, and Taiwan's Tool Machines and Components Industry Association to expand the layout of smart components, smart machinery, and wisdom. The system is designed to supply the world's advanced manufacturing needs and assist customers in the transformation and upgrading.

The IOT and artificial intelligence have undergone substantial developments in recent years. As a result, the number of smart machinery is also gradually increasing. Looking at products on the market today, most of them only record test results or issue warnings, but they still lack the ability to make predictions. This function requires uninterrupted production capacity and there is a great need for the maintenance of accuracy in the product. In particular, the ball screw is a key component of this type of equipment. At present, HIWIN's intelligent ball screw has become a leading indicator in the industry. In addition to the built-in special sensor that was self-developed by HIWIN, it also has the ability to collect big data online. It can remotely monitor the screw temperature, vibration counts, and the lubrication status of the equipment. This technology also has the ability to predict product life through algorithms so that preventive maintenance can be achieved timely. Using this will improve production efficiency, and provide immediate feedback regarding the schedule as to which a machine should undergo maintenance. This will allow customers to arrange maintenance in advance to maintain efficient production utilization. Hence, customers can avoid losses caused by downtime due to the need to perform maintenance on the machine, and they can also achieve Industry 4.0 goals. Smart lubrication also allows factories to save 40-70% on fuel consumption. This is equivalent to reducing CO2 emissions by about 80 kilograms per year for each piece of equipment using smart screws.

Besides the intelligent ball screw, HIWIN provides a solution of smart linear slides in the semiconductor and automation industries. These linear slides have a high degree of autonomy. The overall system is compatible with the intelligent ball screw, and the operation of the linear slide is monitored through a specific sensor. After the data is transmitted to the operation module for calculation, the results can be transmitted to the upper controller of the equipment via Ethernet. This will allow the user to be able to remotely understand the status of each machine in real time, and improve the utilization efficiency of the equipment in question. Customers can also avoid the negative effects of sudden downtime.

The machine tool industry has developed five-axis composite processing machines to improve processing efficiency and accuracy in response to the increasing complexity of processing forms. Therefore, five-axis high-end machine tools have become very important in the transformation and upgrading of the global manufacturing industry. This has become an important factor in judging the level of a country's machine tool industry. High-end machine tools have become more and more important in several industries. These include, but are not limited to, upgrades in manufacturing in Mainland China, remanufacturing in the United States, the market for new mobile phones, 5G and precision molds. HIWIN produces C-axis and AC-axis rotary tables equipped with torque motors. These greatly improve the precision and efficiency of machines. The use of these machines has rapidly expanded in major markets all around the world. They have also been adopted by major machine tool manufacturers in Europe, America, Japan, Taiwan, and Mainland China. Taking after ball screws and linear slides, this product will become a key player in raising revenue in the future.

As for the development of robotic arms, key components are the key to success. These include, but are not limited to, harmonic reducers, servo motors, and control units. The costs of these components make up more than 50% of the cost of the entire multi-axis robotic arm. Traditionally, the

technology of these key parts has been mostly mastered by European, American, and Japanese manufacturers. Each major robotic arm manufacturer has mastered the technology of at least one key component. This is combined with other technologies owned by its domestic manufacturers to form a complete supply chain of key components. Profits from products can be improved greatly. Take the harmonic reducer as an example. This product needs to have high repeat accuracy, stable rotation speed, low friction, high efficiency, small size, be light in weight, and have a large transmission torque. The motor, matched with HIWIN's self-made harmonic reducer and control unit, not only can greatly reduce the costs associated with outsourcing, but the time schedule of technology development, customer service, and component maintenance can also be fully grasped by its users.

Wafer robots have begun to apply visual sensing and machine networking to expand fields for application. In response to this trend, HIWIN's wafer arm has also developed more models adaptable to different industrial usage scenarios, schedules, and manufacturing processes. This makes the application of production line automation more flexible and allows buyers to connect the product with their machines at a faster pace. In addition, the core structure of the wafer arm not only strengthens modularization, but also emphasizes its commonality. A more powerful cost advantage and mode of control are created through the parallel expansion and vertical integration of product specifications.

HIWIN's new product "Wafer Transmission Module" adopts the "SECS/GEM" communication format, which is the industry standard. Whether the end user is involved in foundry, packaging or various processes on the production line, the product can be quickly integrated into the production line. This allows users to fully achieve development using the structure of shared modules. This concept is also expanded to the wafer box handling arm, wafer arm, panel arm, and external axes to increase handling efficiency. If required, special commands and special terminal modules may also be established. To attain higher efficiency, the expandability of the same main structure can also be connected completely. The Equipment Front End Module (EFEM) has many applications in the semiconductor industry. This technology complies with and has obtained the SEMI S2 international safety certification. HIWIN-EFEM can be adjusted to match customer needs, and the corresponding style of the HIWIN wafer robot can be adjusted according to product specifications. This will allow it to become more efficient and competitive on the market.

The Torque motor rotary table independently developed by HIWIN has fast response speeds and high torque. It is also equipped with an absolute encoder. In addition, its position feedback is quite accurate, and it can effectively meet the needs of different machine tool manufacturers in terms of rotary axis module technology. However, C-axis rotating speed is the bottleneck of the traditional mechanical rotary table. In order to meet the demand for high-end five-axis compound machine tools in the market, the high-speed rotary table will become the mainstream in the future. HIWIN will develop a full range of rotary axis products in the future, including the compound high-speed rotary table product line.

In recent years, the automobile industry has been working on developing cars that have both energy saving and smart driving capabilities. In the future, vehicles with autonomous driving Level 4 will transform the driver into a passenger, and the environment inside a car will be able to mimic the feeling of being at one's company, school, hospital, or home. In 2018, Audi took the lead in proposing the concept of the "25th hour". This concept involves freeing the hands and brains of drivers during the process of driving. This will create more free time for drivers. In order to achieve the automatic driving of vehicles, two systems are required to meet the demanding reliability and NVH requirements for vehicles. These include the Electric Steering System (EPS) and Intelligent Braking System (IBS). The use of precision ball screws as key components in these systems has been increasing year after year, and experts estimate that 80% of new cars in the world will use R-EPS as part of their standard equipment in 2022.

HIWIN medical rehabilitation equipment is mainly used for providing patients with more effective equipment to engage in medical rehabilitation. By combining the use of sensors, this equipment provides systems for interaction, evaluation, and feedback. Patients can use the feedback and intelligence of automatic sensors during treatment to adjust the difficulty levels of their rehabilitation regimens to the most appropriate setting and improve the therapeutic effects. In terms of use, the equipment utilizes a convenient and intuitive method of operation to shorten the time clinical personnel need to learn how to use the high-end technology. This further improves the efficacy of rehabilitation equipment and effectively increases the number of patients served per unit time. The direction of development for surgical robots follows new clinical surgical requirements. This includes the development of endoscopic imaging system technology. There are many new surgical methods such as single-port surgery and natural port surgery. These methods can act as effective alternatives for patients in need of surgery. However, there is currently no product on the market that is fully suitable to assist with this. In terms of endoscopic tube specifications, the small diameter (5mm) of the endoscopic system can technically provide visual effects equivalent to the existing 10 mm one. However, the advantage of using the smaller tube is that patients can have smaller wounds. The quality of the endoscopic imaging system has evolved from Full HD to a better 3D/4K resolution. The detailed images produced by the system can provide doctors with the opportunity for precise suturing. However, more stable support equipment is required to avoid interference during surgery. The trends mentioned above have increased the technical demand for robotic endoscopic holders. They also provide an entry point for endoscopic-holding robot arms to enter the market.

4. Competition of products:

HIWIN's products have the characteristics of integrating group resources, technological innovation, and key components. We have long been engaged in the development of electromechanical integration, robot manufacturing, and the manufacture of smart mechanical components. Therefore, HIWIN's differentiation and competitive advantage from other linear transmission products competitors such as China, Germany, and Japan have become clear. Because of this multi-dimensional high-end product development strategy, HIWIN Technologies has been able to flexibly adapt to the changing international economic situation, leading the industry and reducing the impact on the market. In the face of the competition of so many linear transmission component manufacturers around the world, the result of our years of research and development and HIWIN's electromechanical integration powers, not only differentiated and more diverse with competitor products, but also consolidate the global linear transmission component market indicators.

In terms of the competition status of key components, HIWIN has developed spare parts that can be quickly produced and assembled and these can be marketed to potential customers in a timely manner. This production is done in addition to continually investing in material science research and actively searching for alternative or better-quality raw materials. Along with the development of smart components and smart robots, HIWIN provides clientele with complete solutions, including electronic control software and system services. This allows the company to have a great competitive advantage in the market. For example, HIWIN is a leader in the industry for launching an intelligent ball screw with four diagnostic functions. These functions include temperature, preloading, vibration, and lubrication. This technology is at a higher level of intelligentization than that of its European and Japanese competitors, thus making HIWIN's intelligent ball screw more competitive on the market.

The competitive situation of linear products has undergone changes in the underlying structure in recent years. Major brands occupy the market, but new competitors have emerged in the low-end market, striking customer orders with large price differences. Most of these competing brands come from mainland China and South Korea. Low-priced products enter the European and Asian markets by changing the brand packaging. In the face of these new competitors, HIWIN increased its competitiveness with a modular product portfolio, saved customers the time to purchase other accessories and provided differentiated services. Facing the high-end market demand, the HIWIN Smart Screw i4.0BS is leading the industry to provide customers with key components for smart

manufacturing transformation. Bringing customers to HIWIN will accelerate the progress of important projects and expand the market.

HIWIN i4.0BS marks the beginning of the intelligentization of machine equipment. Using this technology, customers can monitor the operation of machinery and equipment remotely without physically entering the factory space. This is crucial, considering the current situation of epidemic prevention and control policies around the globe. Ultra-miniature ball screws are mainly produced by Japanese brands. HIWIN hopes to become the first manufacturer of ultra-miniature ball screws in Taiwan and to produce locally. The products are used in fulfilling the demand for micro-precision positioning workbenches, automotive electronic parts, 3C products, and medical testing equipment. The auxiliary lubrication performance of EL micro-modules has higher oil content. It also has a more economical and reliable design in comparison to the products manufactured by Japanese competitors. The product can be applied to different environments and scenarios and it has entered the market of Japan's semiconductor and automation industries to be used in electronics, 3D printing, testing equipment, semiconductor equipment, and packaging equipment.

In general, the machine tool industry suffers from insufficiencies in independent design and innovation capabilities. This causes a lot of products to become highly similar. Some key components still rely on foreign imports, which has large effects on the profitability of firms. The company has limited R&D manpower and investment. In turn, this also limits the accumulation of R&D on technology and capabilities in making innovations on product design. Except for a few first-tier manufacturers, some complete machine manufacturers intend to invest in development. They aim to grasp the production of a wider range of products to access markets on different scales. To do this, they consider independently developing four/five-axis machines in-house. However, these firms may not be able to make key components. In fact, many Taiwanese firms involved in the machinery industry are small and medium-sized enterprises. They suffer from limitations in human and financial resources, so it is nearly impossible to set up direct marketing bases in other countries. Most of these firms' machine tool products are sold through overseas distributors and traders. This makes it quite difficult for machine tool manufacturers to understand the latest trends in customer demand and receive feedback from customers in terms of product use. The above factors added up limit the expansion of overseas markets. This means that there is still room for improvement in comparison to European and Japanese manufacturers. Most manufacturers are accustomed to precision machinery industries being densely located in the central region of Taiwan, and they prefer the business model of outsourcing from professional four or five-axis manufacturers. They then determine the components of the four or five axes according to the required speed, torque, and precision, and match the quality, inertia, and precision of the structure. They also have to match the sizes of components and controller parameters. However, the key technology used in these components is controlled by others. This causes firms to face the potential problem of unstable supply and high costs.

The main competition in the market for torque motor rotary tables comes from European suppliers that had developed early on. Machine tool factories in Asia still use mechanical rotary tables due to the overall cost and difficulties in maintenance that come with switching over to other technologies. However, mechanical backlash affects the accuracy in processing. This is a key factor that limits the development of high-end machine tools in Asia. HIWIN's torque motor rotary table integrates self-made water-cooled torque motor and crossed roller bearings. This product boasts the advantages of high precision and zero backlash. Using it can assist firms to reduce manufacturing costs and solve the ongoing problem of having to rely on European imports. This product is expected to be used in the Asian tool market and set off a wave of competition in the high-end machine industry. The competitiveness of HIWIN's products and services will allow them to effectively compete in the high-end machine tool market in Europe.

In the industrial robot industry, the market is still dominated by the four major powerhouses (ABB in Switzerland, FANUC in Japan, KUKA in Germany, and YASKAWA in Japan). If the key reducer

relies on imports, there is little room for bargaining and the firms face costs stemming from tariffs. The cost of this component alone accounts for 1/3 of the production cost of the whole machine. This number is much higher than that of international manufacturers; the cost of the component for them is only 1/10~1/6 the production cost of the machine. In addition, the reliance on imports, which comes with little bargaining room and high tariffs, increases the overall costs in producing robots domestically. Due to fierce competition in the market, robots produced domestically may be less competitive in terms of price. In addition, the US-China trade war, the COVID-19 pandemic, and the global trend of low birthrates have brought about various types of domestically produced robotic arms on the Mainland Chinese market. The costs of producing these products are relatively high. However, their accuracy and stability in terms of quality have not yet been compared with those of Japanese and European manufacturers. Unlike the LED industry, the corresponding parts do not require high precision. Therefore, the development of the robot industry is still the biggest bottleneck in the development of the three key components. In response, HIWIN has established a system service team and has provided planning and services for all parts of the production line, while also strengthening the development of self-manufactured key components for robots. Through continuous optimization of the design and performance of robotic arms, HIWIN selects industries with competitive advantages and plans and designs robot production lines suitable for customers. Doing this can help offer total solutions for the development of vertical industrial robots.

In September 2020, the ball screw that was used in HIWIN's automotive steering system passed the IATF 16949 certification. This is a very important milestone for firms attempting to enter the automotive industry supply chain. Average temperatures around the globe continue to rise, and the impact of global climate change on the environment is a problem faced by all countries around the world. The electric vehicle industry is developing rapidly. With the growth and changes in technological connections, more firms are adding AI elements into their products, and the demand for control accuracy has increased. The traditional hydraulic system is gradually being replaced by the servo system. The ball screw used in these machines has the advantages of high mechanical efficiency. Also, the demand in the supply chain of components for the automobile industry has greatly increased as a result. HIWIN is the world's leading manufacturer of ball screws. The company is actively engaged in the R&D of ball screws for brake systems and gearbox systems. HIWIN is the best partner for electric vehicle system manufacturers to work with when it comes to applications of ball screws in new-generation vehicles.

HIWIN's highly competitive medical equipment is designed based on clinical demands and the integration of self-made key components. HIWIN provides patients and medical institutions with effective and reasonable priced medical products. The cost-effective characteristics of rehabilitation products have been adopted by customers in Mainland China and Southeast Asia. The installation of these products in the above regions has surpassed the number of machines produced by European competitors. Competitors provide rehabilitation plans that include equipment designed for the upper and lower limbs of the human body. However, due to the high pricing of these products, they have not yet been popularized in the market. Surgical robots are designed first and foremost for the interests of doctors in mind and machines are there to assist them. This can lower the threshold for physicians to learn while performing minimally invasive surgical procedures. These robots can be applied to new surgical methods, and can also effectively provide more space for surgery and improve the operational efficiency of surgical teams. In the market, robots have greatly benefited from the recent trends in smart medical care and the need for more precise surgical positioning. This has caused robots to gradually become a key component in performing surgeries. Also, this has become the target of cooperation that manufacturers of surgical robots want to take advantage of.

HIWIN has the full industry 4.0 trend product, which can provide customers with a one-stop service for transformational upgrade. In the whole factory intelligentized production line project of several industrial giants, HIWIN is the only supplier and provides services in the electromechanical integration systems field with strong competitiveness. HIWIN flexibly uses the group's high-precision mechanical and electrical components to supply customers with a suitable product mix to

meet their different needs and add value to customers. In the future, the common requirements of each process will be further refined, and the product portfolio fixedly used for each process will be converted into a standardized module to save customers the difference in assembly time and accuracy of multiple parts. At the same time, it will also promote the electromechanical integrated sales model at the global sales base to respond to the rapidly changing market.

(iii) Technology and R&D Overview

HIWIN filed a total of 173 applications at home and abroad and obtained 197 patents in 2021, and owned 2,246 valid patents at the end of 2021. It ranked 88th in Invention Patent Public Certificates, and was also No.1 in Taiwan's precision machinery field in 2021.

1. R&D Expenses in the Last Year and as of the Publication Date of the Annual Report

Unit: NTD Thousands

Item	2021	2022 until March 31st
R&D Expenses	NT\$ 1,058,892	NT\$ 246,297

2. Technologies and Products Developed Successfully in the Last Five Years

Year	Product
2017	<ol style="list-style-type: none"> 1. Continuous development and mass production of AG cross-profile linear guideway. 2. Continuous development and mass production of RGS/RGF ultra-low roller liner guideway. 3. Complete development of Teaching upper limb Training System MSR-U100 prototype 4. Complete development of the ear and nose endoscope surgery robotic arm MTG-E100 prototype 5. Development of Automotive Screw (VBS)
2018	<ol style="list-style-type: none"> 1. The new recirculating ball screw (Super Z) type1 was fully mass-produced. 2. The next generation of intelligent ball screw prototypes was developed. 3. The development of the covered roller linear slides was completed and mass production. 4. The articulated robot arm RA605-710-GB has obtained CE certification. 5. DATORKER harmonic reducer has been developed and mass produced.
2019	<ol style="list-style-type: none"> 1. Test production of the second-generation intelligent ballscrew i4.0BS 2. Prototype development of non-circulating ballscrew. 3. Completion of partial specification development and mass production of ultra-small line rails 4. Development of the SCARA robotic arm RS405/RS410-LU series 5. Completion of prototype development on small robotic arm.
2020	<ol style="list-style-type: none"> 1. The precision screws for vehicles have passed the IATF 16949 automotive quality management system certification. 2. The endoscope supports the robotic arm fastener family to complete the development, medical certification, and mass production. 3. Complete prototype development of composite high-speed turntable. 4. Development and mass production of dust-proof version of Scala robotic arm. 5. Mass production of the next-generation smart ball screw i4.0BS.
2021	<ol style="list-style-type: none"> 1. Completed the development of the ball screw for the braking system. 2. Prototype development of next-generation intelligent linear slide i4.0GW. 3. Mass production of MRG-P110, a new generation of lower body strength training machine. 4. The research and development of the E-series of wafer robots has been completed and mass production has been transferred. 5. Completed prototype development of the composite high-speed turntable.

(iv) Long, Short Term Business Development Strategy

1. Short Term Business Development Strategy

(1) Serving metal processing end customers, establishing a 3+1-axis machine modification upgrade model, and driving industrial upgrading.

- (2) Mainly promote high-end new products, rotary table, smart screw and electromechanical integrated products, and open up new niche markets.
- (3) Deeply cultivate the semiconductor industry, make HIWIN components, sub-system components, system components, and the group's Total Solutions to form an important supply chain.
- (4) Build Robot Cell modules and systems to lower the barriers for customer introduction of robots.
- (5) Expand the business of the automotive industry and automotive screws.
- (6) Integrate the group's mechanical and electrical products and system service partners to cooperate to provide customers with overall solution services.
- (7) Provide customers with intelligent products with predictive functions.

2. Long Term Business Development Strategy

- (1) Expand the applications of the Torque Motor rotary table industry and make it a key product for the new generation of manufacturing upgrades and technological application.
- (2) Extend sales and services to end customers and assist customers in their transformation and upgrading.
- (3) Build the MIT robot brand and increase the market share of industrial robots and medical robots.
- (4) Enter the automotive production supply chain, become a long-term partner of advanced smart automotive screws for ADAS smart fuel vehicles, PHEVs and electric vehicles, and develop new business opportunities.
- (5) Increase cooperation with system integrators to provide customers with solutions and after-sales service.
- (6) Continue to promote the Group's mechanical and electrical products and provide original services to customers.
- (7) Promote smart products with predictive functions and create value for customers.

ii. Market, Production and Sales Status

(i) Market Analysis

1. Sales Regions of Major Commodities:

HIWIN product sales operations are mainly operating in four regions, Taiwan, Germany, Japan and the United States, and are classified according to operating locations as follows:

Unit: NTD Thousands		
Operation Sites of Business Units	2021	2020
Taiwan	NT\$ 13,696,690	NT\$ 11,875,478
Germany	NT\$ 4,867,335	NT\$ 3,099,527
China	NT\$ 3,807,965	NT\$ 2,739,620
Japan	NT\$ 1,205,334	NT\$ 783,389
U.S.A.	NT\$ 1,185,939	NT\$ 1,020,183
Others	NT\$ 2,501,899	NT\$ 1,748,462
Total	NT\$ 27,265,162	NT\$ 21,266,659

2. Future Market Supply, Demand and Growth:

As for the development of the global economy in 2022, major institutions have predicted that the recovery and growth will continue, but momentum will be slower than that of 2021. The Schroeder Institute believes that the initial acceleration period of economic recovery from the severe impact of COVID-19 has ended, and we are in a new economic cycle. Supply chain shortages and rising inflation will become key factors in the direction of global economic development. The World Economic Outlook (WEO) released by the International Monetary Fund (IMF) in October 2021, revised the projected global economic growth for 2022 down to 4.9%. The Organization for Economic Cooperation and Development (OECD) issued a "Global Economic Outlook" warning in December 2021. Global inflation may rise at a higher rate than expected, and last longer. In terms of the growth of the world's major economies, the war between Russia and Ukraine will affect the global supply of raw materials and energy policies. In addition, the United States will experience pressures due to the outbreak of variants of the COVID-19 virus, inflation, and shortages in the labor force. If the war between Russia

and Ukraine can be resolved as soon as possible, economic growth for 2022 is expected to remain strong. On the other hand, Mainland China has implemented very strict anti-epidemic policies and has continued to exercise controls on the information technology industry, slowing down economic growth post-pandemic. As a result, the IMF predicts that China's economic growth will drop to 5.6% in 2022.

Because emerging economies are still living under the threat of the pandemic and vaccination rates remain low, issues regarding global supply chain disruption cannot be resolved in the short term. Shipping congestion, rising freight costs, and material shortages have resulted in the insufficient supply of semiconductor chips worldwide. This has adversely impacted the information and communication industry and automobile industry in terms of applications. There are many uncertainties in the development of the global economy in 2022 due to shortages in raw materials and labor, and the issue of prices rising caused by increases in the price of energy. The Regional Comprehensive Economic Partnership (RCEP), which came into effect on January 1, 2022, provides some stable expectations to an unstable world environment. RCEP is the largest free trade area in the world and approximately 30% of the world's economies are participants. Among them, the cumulation of rules of origin, the simplification of customs procedures, the promotion of trade facilitation, and the ultimate goal of zero tariffs will help promote the development of regional economies and increase trade levels. It also marks a new milestone in Mainland China's opening to the outside world. This will enhance the stability and resilience of the global industrial chain and supply chain.

From the perspective of demand, semiconductor production equipment will continue to record strong levels of demand due to the development of new technologies such as 5G, AI, smart vehicles, and electric vehicles. This is supplemented with the independent pace of the Mainland Chinese semiconductor industry that is strongly supported by the local government. In addition, the industries of biotechnological medicine, telehealth, and precision medicine will continue to flourish, and more large-scale technology companies are expected to invest. This is due to the continuous growth in the demand for precision medical testing equipment because the pandemic is still raging worldwide. Manufacturing and supply chain productivity can gradually recover in the post-pandemic period, but labor shortages will become a big problem. In response to relating issues, smart automated production combining AI and robots is predicted to become a key alternative solution. The demand for machine tools will rebound significantly due to the economic recovery of major consumer markets and the rapid growth of the electric vehicle market.

On the supply side, with recent trends in short-chain and decentralized manufacturing, various industries have invested in localized production plans in Eastern Europe and Southeast Asia. These include, but are not limited to, industries dealing with semiconductors, 5G, ADAS smart fuel vehicles, and electric vehicle-related industry chains. The new high-end product that HIWIN will mainly promote will be the torque rotary table. The company plans to expand from Japan, Germany and other leading machine tool manufacturers to the rest of the world, with the goal of providing customers with upgraded products. In addition, HIWIN will comprehensively promote the group's electromechanical integration products and provide optimized and total solutions to the semiconductor, electronics, and automotive industries. This will allow customers to enjoy improvements in overall production efficiency and accuracy, and the added value from these improvements can be maximized. In response to the large demand for automation, HIWIN's multi-axis robots will also be designed with modules to expand to industries working in semiconductors, PCB, medicine, food, machine tools, and welding. It is estimated that high-end new products and industry 4.0 trend products will experience substantial growth in 2022. We will respond to this new wave of supply and demand by marketing full products, electromechanical integration, packaged shipments, and overall solutions. In addition, the strong demand in the market for the torque motor rotary table, wafer robot/wafer system, and other industrial robots will also play key roles in allowing HIWIN's revenue to enjoy continuous growth.

3.Competitive Niche:

- (1)The group's electromechanical integration products are complete, providing total solutions for Industry 4.0 and smart manufacturing.
- (2)Leader in precision technology, products made for the medium high-end market, little homogeneous competition

(3) Systems product component self-produce ratio is high, costs and quality are competitive

(4) Global layout balanced, diversifying regional economic fluctuation risks

4. Advantages and Disadvantages of Development Prospects and the Solutions:

(1) Advantages :

(1-1) Key technologies are deployed as soon as possible, and technologies are firmly rooted in their destinations.

(1-2) Having an innovative product portfolio and value-added services; with these, the company becomes partners with customers in helping them achieve industrial upgrades

(1-3) Innovative technologies can guide development with influence from the industry.

(1-4) The global channel provides a fast feedback system, and the company can understand and grasp market dynamics in advance.

(1-5) The global access network is in line with localized supply in the post-epidemic era.

(1-6) Under the trend of Industry 4.0, the demand for smart manufacturing will continue to grow.

(1-7) There are new demands for electric vehicles and smart fuel vehicles.

(2) Disadvantages :

(2-1) Straight-line products have gradually become a Red Sea market, and the number of low-cost competitors has increased.

(2-2) New product capacity is still insufficient.

(2-3) System integration partners who provide system services are difficult to find.

(2-4) Post-epidemic economic uncertainty is high, and industrial investment attitudes remain conservative.

(2-5) It is not easy to recruit talents with skills in intelligent system information.

(2-6) With subsidiaries all over the world, managers from Taiwan must have an international outlook and high cultural competence to assist the teams at subsidiaries abroad.

(3) Solutions :

(3-1) Provide differentiated services and create value with electromechanical integrated solutions.

(3-2) Build a new factory to expand the organization and production capacity of new products.

(3-3) Dynamically adjust the strategy the company uses to cooperate with system providers to attract partners with common goals and create greater value.

(3-4) Increase the market detection density of the global local network and quickly adjust the local market strategy.

(3-5) Continue to engage in industry-university cooperation and cooperative projects across disciplines; develop new artificial intelligence technology; cultivate a pool of new talent that can integrate information software and system control.

(3-6) Put more efforts in the cultivation of talents, give managers training in cultural competence, and optimize international communications.

(ii) Important Use and Manufacturing Process of Main Products

1. Primary Use of Products:

The drive control products manufactured by HIWIN Technologies are mainly applied to the semiconductor, photoelectric and testing equipment, automation equipment, biochemical and medical equipment, electronic industry, machine tool, solar energy, LED and industrial machinery, etc. The drive control products of the Company corresponds to the rising environmental awareness and the pursuit of high-quality life in the modern society; therefore, the more advanced the industry, the larger the demand.

2. Main Manufacturing Process:

(1) Ball Screw

Tapping → thermal treatment → thread-cutting → shoulder machining → external diameter processing → precision shaping → test → assemble → inspect

(2) Linear Guideway

Thermal treatment → drill hole → precision forming → inspect → assemble → final inspection

(iii) Supply of Main Raw Materials

Raw Material	Country	Supply Status
Steel	Taiwan	Good
Steel	Japan	Good
Steel	Germany	Good
Steel	South Korea	Good

(iv) Customers with over 10% of gross purchase or gross sales in any year of the last 2 years:

1. List of manufacturers with over 10% of gross purchase

Unit: NTD Thousand

2020				2021				First Quarter of 2022			
Name	Sum	To Net Purchases %	Relationship with the Issuer	Name	Sum	To Net Purchases %	Relationship with the Issuer	Name	Sum	To Net Purchase %	Relationship with the Issuer
No manufacturers that take up more than 10% of total purchase amount				No manufacturers that take up more than 10% of total purchase amount				A customer	NT\$ 492,479	16.4	None
								Others	NT\$ 2,517,303	83.6	
Net Purchase	NT\$ 8,022,474	100.0		Net Purchase	NT\$ 11,123,618	100.0		Net Purchase	NT\$ 3,009,782	100.0	

Cause of increase or decrease: Mainly affected by shipping deferred, the goods are concentrated on the arrival on 2022Q1.

2. List of customers with over 10% of gross sales

Unit: NTD Thousands

2020				2021				First Quarter of 2022			
Name	Sum	To Net Sales%	Relationship with the Issuer	Name	Sum	To Net Sales%	Relationship with the Issuer	Name	Sum	To Net Sales%	Relationship with the Issuer
B customer	NT\$ 3,965,792	18.6	None	A customer	NT\$ 3,571,837	13.1		A customer	NT\$ 1,207,954	16.0	None
A Customer	NT\$ 2,568,011	12.1	None	B Customer	NT\$ 3,279,988	12.0					
Others	NT\$ 14,732,856	69.3		Others	NT\$ 20,413,337	74.9		Others	NT\$ 6,358,392	84.0	
Net Sales	NT\$ 21,266,659	100.0		Net Sales	NT\$ 27,265,162	100.0		Net Sales	NT\$ 7,566,346	100.0	

Cause of increase or decrease: Due to the booming semiconductor industry in 2021 and in the first quarter of 2022, customer A has more customers in the semiconductor industry, so its amount and proportion of sales increased in the current period; however, customer B's customers are mostly large enterprises in the 5G and mobile phone industries. Due to delayed demand, the sales amount and proportion of customer B decreased.

(v) Production Quantity and Value of the Last 2 Years

Unit: NTD Thousand; Thousand

Quantity \ Year Commodity	2020			2021		
	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Ball Screw	2,750	1,598	NT\$ 3,744,954	2,750	2,244	NT\$ 6,110,024
Linear Guideway	33,100	26,711	NT\$ 13,959,264	33,500	29,759	NT\$ 17,687,522

(vi) Sales Quantity and Value of the Last 2 Years

Unit: NTD Thousand; Thousand

Quantity \ Year Commodities	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ball Screw	136	NT\$ 492,305	1,546	NT\$ 3,449,947	232	NT\$ 957,254	1,876	NT\$ 4,782,681
Linear Guideway	483	NT\$ 500,762	26,228	NT\$ 13,458,642	834	NT\$ 962,367	28,517	NT\$ 16,482,757
Others	—	NT\$ 388,634	—	NT\$ 2,976,369	—	NT\$ 475,642	—	NT\$ 3,604,461
Total	—	NT\$ 1,381,701	—	NT\$ 19,884,958	—	NT\$ 2,395,263	—	NT\$ 24,869,899

iii. Employee Data of the Recent Two Years and Up to the Publication Date

Year		2020	2021	Current Year Until March 31, 2022
Number of Employees (Note)	Indirect Employees	2,482	2,445	2,383
	Direct Employees	3,834	4,159	4,127
	Total(people)	6,316	6,604	6,510
Mean Age (Note)		34.63	34.81	34.96
Average Length of Service (Note)		5.76	5.92	6.04
Education Background (%)	Doctor	0.32	0.30	0.29
	Master	10.50	10.54	10.48
	Junior College	55.08	53.42	53.38
	High School	31.06	32.28	32.47
	Without A High School Diploma	3.04	3.45	3.38

Note: Information of number of employees, mean age, average length of service and education background include that of subsidiaries

iv. Information Regarding Expenditure on Environmental Protection

Information of the Company's environmental safety and health:

(i) Environmental safety and health management performance:

1. Passed ISO 14001 environmental management system verification in 1997.
2. Plant I passed OHSAS 18001 Occupational Safety and Health Management System verification in 2002.
3. Plant I passed Taiwan Occupational Safety and Health Management System (CNS15506) verification in 2008.
4. Plant I was awarded Outstanding Unit with No Disasters in Working Hours (no disabling injuries for 7,593,510 hours) by Council of Labor Affairs, Executive Yuan in 2011.
5. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continue to conduct external audit every year.
6. Ball Screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
7. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506) verification, and gained Performance Recognition of the Occupational Safety and Health Management System, Ministry of Labor, in 2013.
8. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
9. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
10. Yunke Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.
11. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed annual certificate changing of TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506).
12. Plant I and Tanzi Plant passed TUV ISO 50001 in 2016.
13. The operating headquarters and the Plant I passed ISO 14001: 2015 edition verification in 2017
14. Yunke Plant II passed the TUV ISO 50001 energy management system evaluation in 2018
15. Plant was awarded the Gold Medal of the Republic of China Industrial Safety and Health Association for the award of the Excellent Unit for Disaster-free Working Hours (accumulated 12,058,371 hours without disability injury) in 2018
16. Received the Occupational Safety and Health Management System ISO 45001 International Standard Certification in 2019
17. In 2019, ISO50001:2018 passed the verification of version transition.
18. In 2020, the R16 ball screw and RGW45 linear slide have passed the ISO14067:2018 external verification.
19. Passed ISO14046:2014 to organize external verification of water footprint in 2020.
20. 2021 ISO 14064-1:2018 Transition.

(ii) Air pollution control

1. According to the stationary pollution source under environmental regulations, the Company has pollution prevention equipment and maintains them regularly to improve their stability and guarantee the exhaust meets regulatory requirements.
2. The pollutant concentration is detected regularly and below the limits.

(iii) Water resource and waste water management:

1. There is waste water treatment equipment in every plant, so waste water is treated and discharged into the sewage system after it meets the effluent standard.
2. Each plant has applied for a water pollution prevention and control measure license in accordance with law, and regularly commissions a testing agency accredited by the Environmental Protection Agency to the factory to detect the wastewater discharge situation to effectively monitor the discharge water quality regularly. In 2021, the water quality of

suspended particulate SS discharged from Yunlin Science and Technology Park No. 2 Plant exceeded the monitoring standard, and the equipment could not operate effectively due to abnormalities found in it. The equipment was immediately repaired so that effective operation could be maintained on the same day. After reevaluation, the water quality was normal. Engineering and administrative management control mechanisms have been adopted in response.

3. It carries out a drill according to the wastewater treatment procedure regularly every year to reduce the impact of improper wastewater treatment on the environment.
4. To implement water resource management, the Department of Industrial Safety and Environmental Protection calculate tap water consumption monthly to confirm whether the water consumption is normal.
5. For domestic sewage: HIWIN has set up a reclaimed water recycling system at its operational headquarters, the Taichung City Precision Machinery Innovation Technology Park No. 2 Plant, and No. 1 Factory, No. 2 Factory, and No. 3 Factory at Yunlin Science and Technology Park. The recovered domestic sewage is mostly used for the flushing of toilets and green plant irrigation. The waste water from Yunlin Science and Technology Park's No. 2 and No. 3 Factories is treated and used for the process. There were 49,278 metric tons recovered in 2021, which was an increase of 16,487 metric tons from 32,791 metric tons in 2019.

(iv) Waste Management

1. The types of HIWIN's waste are general business waste and hazardous business waste, which are temporarily stored in the temporary waste storage area according to the type, and then commissioned by a cleaning agency approved by the Environmental Protection Agency for removal and transportation. In order to confirm whether there are leaks or other violations of environmental protection laws and regulations during the transportation and disposal, there were 2 violations in 2021, which have been counseled and improved. Subsequently, the company has formulated standard operating procedures to make improvements. The reasons for the violation are that the waste was stored in the open air and the ground was not covered with waterproof canvas. In addition, the top of the waste was not covered with rain-proof canvas, and the fixed pollution source inspection declaration was overdue. Lastly, the regular inspection was not carried out within the allotted time limit.
2. Continue to implement waste reduction activities, and conduct education and training on waste disposal and resource recycling classification and regular on-the-job training when new personnel enter the factory, and conduct waste classification audits in various units. At the same time, the classification of various departments will be reported at the meeting to effectively implement the goal of waste classification and reduction. Education training will be 100% in 2021.
3. The waste management of HIWIN Technologies adheres to the principle of recycling, in order to avoid the waste generated under the environmental impact and cannot be effectively treated; review the life cycle assessment of various raw materials, products, transportation, packaging, etc. Through source reduction measures to reduce waste output. In 2021, the goal of sludge drying and waste oil and water reduction was proposed, and a total of 224 metric tons of waste was reduced.

(v) Energy management and reduction

1. Total losses (including compensation) and punishment, and future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, punishment and compensation due to failure to take countermeasures; those not able to be estimated reasonably should be stated clearly) in the last year and as of the publication date of the annual report: not applicable.
2. The Operational Headquarters of HIWIN, Plant I, Plant II, TanZi Plant, Yunke Plant carried out and built ISO 50001 energy management system in 2014; by means of system implementation and energy audit, it managed energy use effectively, made energy management policies, advocated the energy saving policy and set reduction goals; after actual implementation and improvement in 2021, 326 million degrees and annual electricity costs of NT\$9.60 million were saved and 1,639 tons of CO₂e emissions were reduced.

Plant	Reduction plan	Annual energy reduced (degrees)	Annual savings (NT\$ ten thousands)	Reduction of carbon (metric tons of CO2e)
Operation Headquarters	Ice machine condenser maintenance & cooling effect	71,207	21	36
Operation Headquarters	Ice water system interlock control	50,758	15	25
Operation Headquarters	Air pressure leak repair and energy saving plan	370,613	109	186
JK Plant 2	Adjustment of the set pressure of the air compressor during processing	89,961	26	45
JK Plant 2	Improve the heat dissipation efficiency of air conditioning systems and cooling towers	27,638	8	14
JK Plant 2	Air pressure leak repair and energy saving plan	324,125	95	163
Gong Plant 2	Adjustment of the air compressor operation mode	152,409	45	77
Gong Plant 2	Improve cooling tower cooling effect	108,655	32	55
Gong Plant 2	Air pressure leak repair and energy saving plan	104,140	31	52
Yunke Plant Plant 1	Adjustment of the main machine of the air compressor system	49,275	14	25
Yunke Plant Plant 1	Air pressure leak repair and energy saving plan	569,402	167	286
Yunke Plant Plant 2	Air pressure leak repair and energy saving plan	142,866	42	72
Yunke Plant Plant 3	Adjustment of the running sequence of the main ice water machine	182,363	54	92
Dapumei Plant 1	Air pressure leak repair and energy saving plan	595,699	175	299
Dapumei Plant 1	Adjustment of the air supply pressure of the air compressor system	333,522	98	167
Dapumei Plant 3	Set a reasonable contract capacity	12,838	4	6
Dapumei Plant 3	Air pressure leak repair and energy saving plan	78,728	23	40
	Total	3,264,199	960	1,639

3. Energy-saving improvement target: HIWIN estimates that another 24 energy reduction plans will be implemented in 2022, which can save 5.85 million kilowatt-hours of electricity, save about NT\$ 17.21 million in electricity bills, and achieve a direct carbon reduction of 2,939 metric tons of CO₂-e.

v. Labor Relations

(i) Employee welfare measures, further education, trainings, retirement system and implementation, labor agreement and employee equity protection measures:

HIWIN pays great attention to employees; to pursue sustainable operation, create safe, clean and high quality working environment and make employees enjoy work, it joins hands with Taiwan's industry and commerce to promote "Happy Enterprise", paying attention to the balance between employees' work and life, reference has been made to international human rights conventions to formulate and expose safeguarding human rights policies. It provides employees with a development platform, cultivates talents positively and offers a good salary and welfare; to make employees have a sound mind and body, it holds activities irregularly, such as mountain climbing and hiking, and holds sports meetings regularly and provides professional health consultation by inviting doctors to plants. It provides employees with diverse communication channels, such as labor meetings, departmental meetings, monthly meetings, opinion boxes and special lines, to listen to their opinions so as to promote harmony between employees and the employer.

Since it's founded, it has listed the employees as the biggest asset, which can show its emphasis on talents; it employs employees fairly and openly, implements gender equality and treats employees equally, regardless of their gender, religion, race, nationality or political party; it respects every talent, and employs the disabled actively to care for them and fulfill corporate social responsibility. To net talents, it provides Research and Development Substitute Services, cooperates with universities and colleges, has internship programs, performs industry-university collaboration and provides opportunities to visit the enterprise.

1. Employee welfare measures:

(1) Taiwan Parent Company

Through the welfare policy: insurance/health care, comprehensive care for the insurance plan of the colleagues, meal subsidies, new home benefits, wedding and funeral subsidies, babysitting subsidies, staff quarters and employee compensation, etc., each employee of HIWIN Technologies can be fully cared for, and the employees and family members have a better quality of life, and become an important pillar and backing for supporting HIWIN employees. HIWIN Technologies provides a comprehensive welfare system as follows:

Welfare System	Items
Insurance/Medical Care	Group insurance, regular health examination
Insurance plan employees' that ensures comprehensive care	In accordance with the law, every employee is insured with labor insurance and universal health insurance, so that colleagues can be fully protected. In addition, in order to ensure the living security of employees and their families, it also increases group insurance for employees, employees, and other medical care, accidents, and major illnesses.
Epidemic prevention leave	Due to covid-19, give the paid isolation leave for foreign business travelers, and the epidemic prevention leave does not affect full attendance for the employees in need.

Meal subsidy	In order to develop and motivate employees and team skills, the company gives the department a “meal subsidy” every quarter, so that colleagues can arrange group dinners or entertainment, and relax and get closer to each other.
Wedding and funeral allowance	In order to improve the well-being of employees, colleagues will be entitled to a wedding payment ranging from NT\$ 3,600 – NT\$ 60,000 based on seniority. If the person or the family unfortunately passes away, there will be a concession of NT\$ 31,000 – NT\$ 110,000.
Babysitting allowance	A baby allowance of NT\$5,000/month (for a period of 3 years) per child is given to encourage employees to give birth. Originally for 2 years, it will be extended to 3 years from October 1, 2017.
Employee dormitory	Considering the accommodation expenses and safety issues of foreign employees, HIWIN Technology provides low-cost and well-established safety management system for staff quarters, and implements care and care, so that colleagues can live with peace of mind, enhance interpersonal interaction and save money.
Employee compensation	If the company makes a profit in the year, it will pay the employee bonus of 10% or less, but not less than 1%, and distribute the employees' compensation to enable the employers and employees to share the operating results.
Others	Staff restaurants, staff parking, free overtime meals and snacks, wedding and funeral allowances, travel grants, three coupons, birthday vouchers, special store discounts, sports prizes, massage services, etc.

In order to improve Taiwan's fertility rate and economic development considerations, HIWIN began promoting the "nursing-in-child subsidy" policy in 2012, employees will be able to receive NT\$5,000 per month for three consecutive years, regardless of gender (up to NT\$180,000 in 3 years). In addition to the value of work, employees can also build a happy family and fulfill their responsibilities.

(2) Subsidiaries

➤It carries out employee welfare measures according to local laws and the labor market condition, and hands out performance bonuses based on the business conditions of its subsidiaries.

2. Refresher courses and trainings:

(1) Taiwan Parent Company

➤Excellent talents are the cornerstone of the sustainable operation of an enterprise; to improve employees 'ability and quality and maintain the long-term competitive edge, the Company's chairman, general managers and senior managers act as the internal lecturers, spending tens of thousands of funding on employee educational training annually for the past five years, maintaining the average training expense at over NTD 2,000 per person, assuring every employee of the opportunity to receive training.

➤The company has a complete training system, including new employee training, core competency training, professional competency training, management competency training and external training, etc. Employees can be trained properly through classroom training, on-the-job training, external training, reading party, lecture, further education, job rotation and project appointment; the training content and methods are diverse and rich.

➤For colleagues who want to continue education to take their degrees, it provides tuition subsidy schemes. It has cooperated with schools to open two-year junior college/technical college for colleagues to further their education.

(2) Subsidiaries

➤Each subsidiary provides new employee training, core competency training and professional competency training, and gives colleagues opportunities to further their education depending on the situation.

3. Retirement system:

HIWIN has a sound financial system, and establishes pension plans and retirement programs and allocates stable pension and payments according to Labor Standard Laws and Labor Pension Act. It commissions an actuary to provide pension reports regularly so as to ensure the pension balance and guarantee colleagues will be pensionable in the future.

(1) Taiwan Parent Company

➤ According to Labor Standard Laws and Labor Pension Act, it has established defined-benefit and defined-contribution pension plans and retirement programs. As for the former, it allocates 2% of the employee's gross salary every month as the pension fund, which is saved in the special account in Bank of Taiwan in the name of Supervisory Committee of Workers' Retirement Fund; as to the latter, it allocates 6% of the employee's gross salary every month as the pension fund, which is saved in the individual account in Bureau of Labor Insurance.

➤ Retirement system and implementation:

Pension System	Old	New
Applicable law	Labor Standards Law	Labor Pension Statutes
Distribution Method	2% of the employee's monthly salary, deposited in the name of the company into a Bank of Taiwan account	6% of the employee insurance level is paid to the individual account of the Labor Insurance Bureau
Amount	Labor Retirement Reserves amounted to NT\$ 154,497,000 as of the end of December, 2021	New pensions of NT\$ 165,878,000 in 2021

(2) Subsidiaries

➤ Each subsidiary implements pension rules according to local laws.

4. Labor agreement and employee equity protection measures

➤ HIWIN Technologies and its subsidiaries always attaches importance to employee benefits; labor problems are solved through two-way communications; they convene labor meetings regularly to coordinate labor relations, promote employee-employer cooperation and working conditions and plan labor welfare, so the labor relation has been harmonious since the factories were opened and no major labor dispute has occurred.

➤ In addition to insured group insurance, the company occasionally organizes environmental and safety lectures and occupational safety and health courses, and regularly publishes environmental, health and safety electronic newspapers to protect the personal safety of colleagues and handle them in an emergency.

(ii) Losses Caused by Labor Disputes in the Last Year and as of the Publication Date of the Annual Report:

HIWIN Technologies (including the parent company and its subsidiaries) has a harmonious relationship between employers and employees, and there are no major losses arising from labor disputes and labor disputes.

(iii) Any establishment on employee behavior or code of ethics?

HIWIN Technologies has working rules to regulate the working hours, rewards and punishments, promotion and welfare measures of colleagues

vi. Important Contracts

April 30th, 2021

Nature of Contract	Party	Duration	Content	Restrictions
Contract of Factory Lease	William Tools Co., Ltd.	2014.11.16-2024.11.15	Factory Lease	None
	Wei-Chen Co., Ltd.	2020.08.01-2022.07.31	Factory Lease	None
	UDIFA Co., Ltd.	2022.01.01-2023.12.31	Factory Lease	None
	Yunlin Technology-based Industrial Park Service Center	2016.12.19-2036.12.18	Land Lease	None
	Hsieh Cheng Co., Ltd.	2020.09.16-2027.07.31	Factory Lease	None
Long-Term Loan	Bank of Taiwan	2011.06.16-2026.06.16	Secured Loan	None
	Bank of Taiwan	2011.12.28-2026.12.28	Secured Loan	None
	Bank of Taiwan	2012.08.22-2027.08.22	Secured Loan	None
	Bank of Taiwan	2013.10.30-2028.10.30	Secured Loan	None
	Bank of Taiwan	2014.06.20-2029.06.20	Secured Loan	None
	Bank of Taiwan	2014.07.21-2029.07.21	Secured Loan	None
	Bank of Taiwan	2014.07.30-2029.07.30	Secured Loan	None
	Bank of Taiwan	2015.05.04-2022.05.04	Secured Loan	None
	Bank of Taiwan	2015.05.04-2030.05.04	Secured Loan	None
	Bank of Taiwan	2016.11.21-2031.11.21	Secured Loan	None
	Bank of Taiwan	2016.11.21-2023.11.21	Secured Loan	None
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	None
	Bank of Taiwan	2019.02.21-2026.02.21	Secured Loan	None
	Bank of Taiwan	2019.02.21-2034.02.21	Secured Loan	None
	Bank of Taiwan	2020.05.06-2027.04.15	Secured Loan	None
	Bank of Taiwan	2020.04.21-2030.04.15	Secured Loan	None
	Bank of Taiwan	2020.04.21-2027.04.15	Secured Loan	None
	Changhua Bank	2020.05.26-2027.05.15	Secured Loan	None
	Changhua Bank	2020.03.26-2030.03.26	Secured Loan	None
	Changhua Bank	2020.03.26-2035.03.26	Secured Loan	None
China Export and Import	2020.04.30-2027.04.15	Secured Loan	None	
土地銀行	2021.02.04-2026.02.04	Secured Loan	None	
KGI Bank	2021.02.01-2023.02.01	Credit Loan	None	

VI. Financial Overview

i. Condensed Balance Sheets and Statements of Income for the Past Five Years

(i) Condensed Balance Sheet-International Financial Reporting Standards (Consolidated)

Unit: NT\$ Thousands

Item		Year					Till 2022/3/31 Financial Information
		2017	2018	2019	2020	2021	
Liquid Assets		NT\$ 13,111,622	NT\$ 18,454,284	NT\$ 14,847,455	NT\$ 15,609,183	NT\$ 18,553,372	NT\$ 20,365,157
Immovable Property, Plant and Equipment		NT\$ 21,303,831	NT\$ 25,226,895	NT\$ 28,279,428	NT\$ 27,864,527	NT\$ 27,354,252	NT\$ 27,385,748
Intangible Assets		NT\$ 177,915	NT\$ 256,163	NT\$ 256,163	NT\$ 256,163	NT\$ 256,163	NT\$ 256,163
Other Assets		NT\$ 2,980,190	NT\$ 4,955,500	NT\$ 4,948,810	NT\$ 4,307,909	NT\$ 4,868,032	NT\$ 4,707,085
Total Assets		NT\$ 37,573,558	NT\$ 48,892,842	NT\$ 48,331,856	NT\$ 48,037,782	NT\$ 51,031,819	NT\$ 52,714,153
Liquid Liabilities	Before Distribution	NT\$ 13,318,739	NT\$ 17,638,899	NT\$ 15,622,870	NT\$ 12,451, 303	NT\$ 13,852, 541	NT\$ 15,902,158
	After Distribution	NT\$ 14,299,290	NT\$ 19,742,833	NT\$ 16,180,112	NT\$ 13,113,036	Note 2	Not Applicable
Non-Liquid Liabilities		NT\$ 7,654,970	NT\$ 6,815,543	NT\$ 9,054,509	NT\$ 8,197,085	NT\$ 6,712,163	NT\$ 6,558,647
Total Liabilities	Before Distribution	NT\$ 20,973,709	NT\$ 24,454,442	NT\$ 24,677,379	NT\$ 20,648,388	NT\$ 20,564,704	NT\$ 22,460,805
	After Distribution	NT\$ 21,954,260	NT\$ 26,558,376	NT\$ 25,234,621	NT\$ 21,310,121	Note 2	Not Applicable
Equity Attributable to the Parent Company		NT\$ 16,293,096	NT\$ 24,180,459	23,743,253	27,562,128	30,280,285	NT\$ 30,099,494
Capital Stock		NT\$ 2,801,573	NT\$ 3,005,620	NT\$ 3,095,789	NT\$ 3,308,663	NT\$ 3,407,923	NT\$ 3,407,923
Capital Reserve		NT\$ 308,630	NT\$ 3,236,274	NT\$ 3,236,274	NT\$ 5,600,568	NT\$ 5,516,470	NT\$ 5,516,470
Retained Earnings	Before Distribution	NT\$ 13,433,833	NT\$ 17,563,425	NT\$ 17,116,355	NT\$ 18,256,261	NT\$ 20,680,752	NT\$ 20,514,350
	After Distribution	NT\$ 12,453,282	NT\$ 15,459,491	NT\$ 16,559,113	NT\$ 17,594,528	Note 2	Not Applicable
Other Equities		(NT\$ 250,940)	NT\$ 375,140	NT\$ 294,835	NT\$ 396,636	NT\$ 675,140	NT\$ 660,751
Non-Controlling Equities		NT\$ 306,753	NT\$ 257,941	(NT\$ 88,776)	(NT\$ 172,734)	NT\$ 186,830	NT\$ 153,854
Total Equity	Before Distribution	NT\$ 16,599,849	NT\$ 24,438,400	NT\$ 23,654,477	NT\$ 27,389,394	NT\$ 30,467,115	NT\$ 30,253,348
	After Distribution	NT\$ 15,619,298	NT\$ 22,334,466	NT\$ 23,097,235	NT\$ 26,727,661	Note 2	Not Applicable

Note 1: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2021 dividend distribution case was approved by the board of directors on February 25, 2022, but it has not yet been approved by the shareholders meeting.

(ii) Condensed Balance Sheet-International Financial Reporting Standards (Individual)

Unit: NT\$ Thousands

Item		Year				
		2017	2018	2019	2020	2021
Liquid Assets		NT\$ 10,043,806	NT\$ 14,812,932	NT\$ 11,161,567	NT\$ 11,602,773	NT\$ 13,634,036
Immovable Property, Plant and Equipment		NT\$ 16,833,733	NT\$ 20,804,336	NT\$ 22,336,826	NT\$ 21,629,762	NT\$ 21,339,966

Intangible Assets		-	-	-	-	-
Other Assets		NT\$ 6,249,042	NT\$ 8,610,485	NT\$ 8,495,812	NT\$ 8,581,402	NT\$ 8,995,177
Total Assets		NT\$ 33,126,581	NT\$ 44,227,753	NT\$ 41,994,205	NT\$ 41,813,937	NT\$ 43,969,179
Liquid Liabilities	Before Distribution	NT\$ 10,466,752	NT\$ 14,381,950	NT\$ 10,998,741	NT\$ 7,571,678	NT\$ 9,009,642
	After Distribution	NT\$ 11,447,303	NT\$ 16,485,884	NT\$ 11,555,983	NT\$ 8,233,411	Note 2
Non-Current Liabilities		NT\$ 6,366,733	NT\$ 5,665,344	NT\$ 7,252,211	NT\$ 6,680,131	NT\$ 4,679,252
Total Liabilities	Before Distribution	NT\$ 16,833,485	NT\$ 20,047,294	NT\$ 18,250,952	NT\$ 14,251,809	NT\$ 13,688,894
	After Distribution	NT\$ 17,814,036	NT\$ 22,151,228	NT\$ 18,808,194	NT\$ 14,912,542	Note 2
Equity Attributable to Owners of the Parent		N/A	N/A	N/A	N/A	N/A
Capital Stock		NT\$ 2,801,573	NT\$ 3,005,620	NT\$ 3,095,789	NT\$ 3,308,663	NT\$ 3,407,923
Capital Reserve		NT\$ 308,630	NT\$ 3,236,274	NT\$ 3,236,274	NT\$ 5,600,568	NT\$ 5,516,470
Retained earnings	Before Distribution	NT\$ 13,433,833	NT\$ 17,563,425	NT\$ 17,116,355	NT\$ 18,256,261	NT\$ 20,680,752
	After Distribution	NT\$ 12,453,282	NT\$ 15,459,491	NT\$ 16,559,113	NT\$ 17,594,528	Note 2
Other Equities		(NT\$ 250,940)	NT\$ 375,140	NT\$ 294,835	NT\$ 396,636	NT\$ 675,140
Non-Controlling Equities		N/A	N/A	N/A	N/A	N/A
Total Equity	Before Distribution	NT\$ 16,293,096	NT\$ 24,180,459	NT\$ 23,743,253	NT\$ 27,562,128	NT\$ 30,280,285
	After Distribution	NT\$ 15,312,545	NT\$ 22,076,525	NT\$ 23,186,011	NT\$ 26,900,395	Note 2

Note 1: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants

Note 2: The 2021 dividend distribution case was approved by the board of directors on February 25, 2022, but it has not yet been approved by the shareholders meeting.

(iii) Condensed Consolidated Income Statement -International Financial Reporting Standards (Consolidated)

Unit: NT\$ Thousands

Item	Year	2017	2018	2019	2020	2021	Till 2022/3/31 Financial Information
	Operating Revenue		NT\$ 21,164,764	NT\$ 29,333,129	NT\$ 20,209,798	NT\$ 21,266,659	NT\$ 27,265,162
Operating Margin		NT\$ 7,582,638	NT\$ 11,629,580	NT\$ 6,775,015	NT\$ 5,790,407	NT\$ 9,815,408	NT\$ 2,771,787
Operating Profit and Loss		NT\$ 3,345,101	NT\$ 6,419,195	NT\$ 2,400,890	NT\$ 1,732,474	NT\$ 5,114,593	NT\$ 1,558,905

Non-Operating Income and Expenses	(NT\$ 532,966)	(NT\$ 323,235)	(NT\$ 191,041)	NT\$ 570,997	(NT\$ 639,773)	NT\$ 197,970
Net Profit Before Tax	NT\$ 2,812,135	NT\$ 6,095,960	NT\$ 2,209,849	NT\$ 2,303,471	NT\$ 4,474,820	NT\$ 1,756,875
Net Profit of the Term	NT\$ 2,251,520	NT\$ 4,890,423	NT\$ 1,640,877	NT\$ 1,698,779	NT\$ 3,154,693	NT\$ 1,334,067
Other Consolidated Profit and Loss of the Term (Net of Tax)	(NT\$ 30,303)	NT\$ 483,704	(NT\$ 34,226)	NT\$ 93,724	NT\$ 281,444	(NT\$ 14,269)
Total Consolidated Profit and Loss of the Term	NT\$ 2,221,217	NT\$ 5,374,127	NT\$ 1,606,651	NT\$ 1,792,503	NT\$ 3,436,137	NT\$ 1,319,798
Net Profits Attributable to Owners of the Parent Company	NT\$ 2,738,019	NT\$ 5,392,257	NT\$ 1,865,316	NT\$ 1,929,730	NT\$ 3,532,230	NT\$ 1,367,163
Net Profit Attributable to Non-Controlling Equities	(NT\$ 486,499)	(NT\$ 501,834)	(NT\$ 224,439)	(NT\$ 230,951)	(NT\$ 377,537)	(NT\$ 33,096)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	NT\$ 2,709,808	NT\$ 5,878,542	NT\$ 1,827,643	NT\$ 2,017,501	NT\$ 3,814,946	NT\$ 1,352,774
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(NT\$ 488,591)	(NT\$ 504,415)	(NT\$ 220,992)	(NT\$ 224,998)	(NT\$ 378,809)	(NT\$ 32,976)
Earnings per Share	NT\$ 8.94	NT\$ 17.38	NT\$ 5.85	NT\$ 5.87	NT\$ 10.36	NT\$ 4.01

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(iv) Condensed Consolidated Income Statement -International Financial Reporting Standards (Individual)

Unit: NT\$ Thousands

Item \ Year	2017	2018	2019	2020	2021
Operating Revenue	NT\$ 17,053,792	NT\$ 24,600,218	NT\$ 14,831,319	NT\$ 16,783,132	NT\$ 23,005,899
Operating Margin	NT\$ 6,121,731	NT\$ 9,427,810	NT\$ 4,199,689	NT\$ 3,849,949	NT\$ 7,767,170
Operating Profit and Loss	NT\$ 3,852,729	NT\$ 6,077,872	NT\$ 2,918,580	NT\$ 2,175,984	NT\$ 4,702,018
Non-Operating Income and Expenses	(NT\$ 671,682)	NT\$ 212,726	(NT\$ 593,695)	NT\$ 220,347	NT\$ (170,632)
Net Profit Before Tax	NT\$ 3,181,047	NT\$ 6,290,598	NT\$ 2,324,885	NT\$ 2,396,331	NT\$ 4,531,386
Net Profit of the Term	NT\$ 2,738,019	NT\$ 5,392,257	NT\$ 1,865,316	NT\$ 1,929,730	NT\$ 3,532,230
Other Consolidated Profit and Loss of the Term (Net of Tax)	(NT\$ 28,211)	NT\$ 486,285	(NT\$ 37,673)	NT\$ 87,771	NT\$ 282,716
Total Consolidated Profit and Loss of the Term	NT\$ 2,709,808	NT\$ 5,878,542	NT\$ 1,827,643	NT\$ 2,017,501	NT\$ 3,814,946

Net Profits Attributable to Owners of the Parent Company	N/A	N/A	N/A	N/A	N/A
Net Profit Attributable to Non-Controlling Equities	N/A	N/A	N/A	N/A	N/A
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	N/A	N/A	N/A	N/A	N/A
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	N/A	N/A	N/A	N/A	N/A
Earnings per Share	NT\$ 8.94	NT\$ 17.38	NT\$ 5.85	NT\$ 5.87	NT\$ 10.36

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(v) CPA Name and Audit Opinions of the Last 5 Years

Year	CPA	Name	Audit Opinion
2017	Deloitte & Touche	Yan,Hsiao-Fang, Tseng,Tung-Chun	Unqualified Opinion
2018	Deloitte & Touche	Yan,Hsiao-Fang, Tseng,Tung-Chun	Unqualified Opinion
2019	Deloitte & Touche	Tseng,Tung-Chun, Wu,Li-Tung	Unqualified Opinion
2020	Deloitte & Touche	Tseng,Tung-Chun, Wu,Li-Tung	Unqualified Opinion
2021	Deloitte & Touche	Wu,Li-Tung, Tseng,Tung-Chun	Unqualified Opinion

ii. Financial Analyses for the Last Five Years

(i) International Financial Reporting Standards (Consolidated)

Item	Year	2017	2018	2019	2020	2021	2022 until March 31st
	Financial Structure (%)	Liability-Asset Ratio	55.82	50.02	51.06	42.98	40.30
Ratio of Long-Term Capital to Immovable Property, Plant and Equipment		113.85	123.89	115.66	120.47	135.92	
Debt-Paying Ability	Liquidity Ratio (%)	98.44	104.62	95.04	125.36	133.93	
	Quick Ratio (%)	56.99	53.26	45.90	74.49	72.85	
	Interest Protection Multiples	22.41	42.47	12.20	11.43	27.45	
Operating Ability	Receivables Turnover Ratio	4.63	5.57	3.69	3.79	5.12	
	Average Collection Period	79	66	99	96	71	
	Inventory Turnover Ratio	2.48	2.29	1.51	2.00	2.11	

	Payables Turnover Ratio	4.14	3.57	3.41	5.54	4.69	
	Inventory Conversion Period	147	159	242	183	173	
	Immovable Property, Plant and Equipment Turnover Ratio	1.08	1.26	0.76	0.76	0.99	
	Total Assets Turnover Ratio	0.60	0.68	0.42	0.44	0.55	
Profitability	Return on Assets (%)	6.69	11.59	3.71	3.91	6.65	
	Return on Equity (%)	14.34	23.83	6.82	6.93	11.30	
	Net Profit Before Tax to Paid-up Capital Ratio (%)	100.38	202.82	71.38	69.62	131.31	
	Net Profit Ratio (%)	10.64	16.67	8.12	7.99	11.57	
	Earnings per Share (NT\$)	8.94	17.38	5.85	5.87	10.36	
Cash Flow (%)	Cash Flow Ratio	49.30	29.20	8.92	42.18	58.91	
	Cash Flow Adequacy Ratio (Note 1)	80.06	66.96	52.46	70.06	79.69	
	Cash Reinvestment Ratio	25.26	13.34	(2.17)	13.19	20.17	
Degree of Leverage	Degree of Operating Leverage	2.29	1.81	3.07	3.91	2.04	
	Degree of Financial Leverage	1.04	1.02	1.09	1.15	1.03	

Reasons why each financial ratio has changed by 20% in the last two years:

1. The increase in interest protection multiples, total assets turnover ratio, return on assets, return on equity, net profit before tax to paid-up capital ratio, net profit ratio, and earnings per share was mainly due to the increase in sales volume and sound operation this year and increase in the profit before tax.
2. The increase in the receivables turnover ratio and the decrease in the average collection were mainly due to the increase in the amount of goods sold being larger than the increase in the average balance of accounts receivable.
3. The increase in immovable property, plant and equipment turnover ratio was mainly due to the good operation in the current period and the increase in total equity.
4. The increase in various cash flow ratios was mainly due to the large amount of cash generated from operating activities in the current year.
5. The decrease in operating leverage was mainly due to the increase in operating profit this year compared with the previous period.

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) International Financial Reporting Standards (Individual)

Item	Year	2017	2018	2019	2020	2021
		Financial Structure (%)	Liability-Asset Ratio	50.82	45.33	43.46
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	134.61	143.46	138.76	158.31	163.82
Debt-Paying Ability	Liquidity Ratio (%)	95.96	103.00	101.48	153.24	151.33
	Quick Ratio (%)	62.67	61.10	55.69	103.86	98.64
	Interest Protection Multiples	32.27	79.54	23.42	21.21	67.23
Operating	Receivables Turnover Ratio	3.44	4.01	2.54	3.12	3.66

Ability	Average Collection Period	106	91	144	117	100
	Inventory Turnover Ratio	3.32	3.12	1.87	2.81	3.35
	Payables Turnover Ratio	3.83	3.37	2.92	5.03	4.50
	Inventory Conversion Period	110	117	195	130	109
	Immovable Property, Plant and Equipment Turnover Ratio	1.10	1.31	0.69	0.76	1.07
	Total Assets Turnover Ratio	0.54	0.64	0.34	0.40	0.54
Profitability	Return on Assets (%)	8.99	14.11	4.53	4.84	8.37
	Return on Equity (%)	18.02	26.65	7.78	7.52	12.21
	Net Profit Before Tax to Paid-up Capital Ratio (%)	113.55	209.29	75.10	72.43	132.97
	Net Profit Ratio (%)	16.06	21.92	12.58	11.50	15.35
	Earnings per Share (NT\$)	8.94	17.38	5.85	5.87	10.36
Cash Flow (%)	Cash Flow Ratio	64.10	40.06	18.59	66.18	79.90
	Cash Flow Adequacy Ratio (Note 1)	89.06	78.49	67.51	84.70	92.64
	Cash Reinvestment Ratio	27.67	16.02	(0.19)	13.10	18.70
Degree of Leverage	Degree of Operating Leverage	1.79	1.69	1.79	2.45	1.93
	Degree of Financial Leverage	1.03	1.01	1.04	1.06	1.01

Reasons why each financial ratio has changed by 20% in the last two years:

1. The increase in interest protection multiples, total assets turnover ratio, return on assets, return on equity, net profit before tax to paid-up capital ratio, net profit ratio, and earnings per share was mainly due to the increase in sales volume and sound operation this year and increase in the profit before tax.
2. The increase in immovable property, plant and equipment turnover ratio was mainly due to the good operation in the current period and the increase in total equity.
3. The increase in various cash flow ratios was mainly due to the large amount of cash generated from operating activities in the current year.
4. The decrease in the degree of operating leverage was mainly due to the increase in operating profit this year compared with the previous period.

Note: The individual financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

1. Financial Structure

(1) Debt Asset Ratio=Total Liabilities/Total Assets

(2) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment=(Total Equity+Non-Current Liabilities)/ Net Amount of Immovable Property, Plant and Equipment

2. Debt-Paying Ability

(1) Liquid Ratio =Liquid Assets/Liquid Liabilities

(2) Quick Ratio = (Liquid Assets-Inventory-Upfront Fees)/Liquid Liabilities

(3) Interest Protection Multiples= Profit before Income Tax and Interest Expense / Interest Expense of This Period

3. Operating Ability

(1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio=Net Sales/Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)

(2) Average Collection Period =365/Receivables Turnover Ratio

(3) Inventory Turnover Ratio= Cost of Sales/Average Inventory

- (4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio= Cost of Sales /Balance of Average Payables of Each Period (Including Payables and Notes Payable from Operating Activities)
- (5) Inventory Conversion Period=365/Inventory Turnover Ratio
- (6) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment= (Total Equity+Non-Current Liabilities)/Net amount of Immovable Property, Plant and Equipment
- (7) Total Assets Turnover Ratio=Net Sales/Total Assets
4. Profitability
- (1) Return on Assets= [Profit and Loss After Tax+ Interest Expense*(1-Tax Rate)]/Average Total Assets
- (2) Return on Equity=Profit and Loss After Tax/Average Net Shareholders' Equity
- (3) Net Profit Ratio =Profit and Loss After Tax/Net Sales
- (4) Earnings per Share= (Profit And Loss Attributable to the owners of the parent company -Dividend on Preferred Stock)/Weighted Average Outstanding Shares
5. Cash Flow
- (1) Cash Flow Ratio= Cash Flow from Operating Activities /Liquid Liabilities
- (2) Cash Flow Adequacy Ratio= Cash Flow from Operating Activities of the last 5 years/ (Capital Expenditure+ Inventory Increase +Cash Dividend) of the last 5 years
- (3) Cash Reinvestment Ratio= (Cash Flow from Operating Activities -Cash Dividend)/ (Gross Amount of Immovable Property, Plant and Equipment + Permanent Investment +Other Non-liquid Assets+ Working Capital)
6. Degree of Leverage
- (1) Degree of Operating Leverage= (Net Operating Revenue- Variable Operating Costs and Expenses)/Operating Profit
- (2) Degree of Financial Leverage=Operating Profit/ (Operating Profit-Interest Expense)

iii. The Audit Committee's Audit Report of the Financial Report for the Past Year

HIWIN Technologies Corp. The Audit Committee's Audit Report

We have checked the Financial Statements in 2021, Business Report and Earning Distribution Plan prepared by the Board of Directors. In our opinion, all statements and reports referred to above are prepared according to law. This report is submitted in accordance with Article 14.4 of Securities Exchange Act and Article 219 of the Company Act. For your review and approval.

HIWIN Technologies Co., Ltd.

Audit Committee Convener: Chiang, Cheng-He



February 25, 2022

iv. The Financial Report and the Accountant's Audit Report for the Past Year

Please refer to Appendix 1.

v. Consolidated Financial Statements Audited by CPA for the Past Year

Please refer to Appendix 2.

vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status: none.

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

i. Financial Status

(i) Financial Position Analysis

Unit: NTD Thousand

Item \ Year	2020	2021	Difference	
			Sum	%
Liquid Assets	15,609,183	18,553,372	2,944,189	18.86
Fund and Investment	1,166,972	1,721,916	554,944	47.55
Immovable Property, Plant and Equipment	27,864,527	27,354,252	(510,275)	(1.83)
Other Assets	3,397,100	3,402,279	5,179	0.15
Total Assets	48,037,782	51,031,819	2,994,037	6.23
Liquid Liabilities	12,451,303	13,852,541	1,401,238	11.25
Long-Term Liabilities	6,892,359	5,378,148	(1,514,211)	(21.97)
Other Liabilities	1,304,726	1,334,015	29,289	2.24
Total Liabilities	20,648,388	20,564,704	(83,684)	(0.41)
Equity Attributable to Owners of the Parent Company	27,562,128	30,280,285	2,718,157	9.86
Equity	3,308,663	3,407,923	99,260	3.00
Capital Reserve	5,600,568	5,516,470	(84,098)	(1.50)
Retained Earnings	18,256,261	20,680,752	2,424,491	13.28
Other Equities	396,636	675,140	278,504	70.22
Non-Controlling Equities	(172,734)	186,830	359,564	(208.16)
Total Equity	27,389,394	30,467,115	3,077,721	11.24

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(II) Analysis of changes in the increase or decrease ratio exceeding 20%:

1. Long-term liabilities increase, mainly due to the purchase of land and equipment loans to banks
2. The increase in other liabilities is mainly due to the fact that the lease assets are recorded in the right-of-use assets and lease liabilities at the same time in accordance with IFRS 16 from 2019
3. Other equity decreased due to the decrease in the number of foreign currency exchange rate conversions
4. Decreased non-controlling interests, mainly due to the increase in equity of subsidiaries acquired

ii. Financial Performance

(i) Operating Results Analysis

Unit: NTD Thousand

Item \ Year	2020	2021	Increased (Decreased) Amount	Rate of Change (%)
Net Operating Revenue	21,266,659	27,265,162	5,998,503	28.21
Operating Costs	15,476,252	17,449,754	1,973,502	12.75
Operating Margin	5,790,407	9,815,408 4,700,815	4,025,001	69.51
Operating Expenses	4,057,933	4,700,815	642,882	15.84
Operating Profit	1,732,474	5,114,593	3,382,119	195.22
Non-Operating Income and Expenses	570,997	(639,773)	(1,210,770)	(212.04)
Profit Before Tax	2,303,471	4,474,820	2,171,349	94.26
Income Tax Expense	604,692	1,320,127	715,435	118.31
Net Profit of This Year	1,698,779	3,154,693	1,455,914	85.70
Other Consolidated Profit and Loss of the Term (Net of Tax)	93,724	281,444	187,720	200.29
Total Consolidated Profit and Loss of the Term	1,792,503	3,436,137	1,643,634	91.69
Net Profits Attributable to Owners of the Parent Company	1,929,730	3,532,230	1,602,500	83.04
Net Profit Attributable to Non-Controlling Equities	(230,951)	(377,537)	(146,586)	63.47
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	2,017,501	3,814,946	1,797,445	89.09
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(224,998)	(378,809)	(153,811)	68.36

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) Analysis for the Change over 20%:

1. Operating revenue, operating margin, operating profit, profit before tax, net profit of this year, other comprehensive profit and loss for the current period, total comprehensive profit and loss for the current term, net profit attributable to owners of the parent company, total comprehensive profit and loss attributable to the owners of the parent company were due to the good operating conditions in the current period, and the increase in sales led to increases in gross profit and gross profit margin, which together resulted in an increase in items related to operating performance.
2. Increase in non-operating expenses was mainly due to the provision of impairment losses in the current period.
3. Net profit attributable to non-controlling equities and total comprehensive profit and loss attributable to non-controlling equities decreased mainly due to the increase in losses of subsidiaries with non-controlling interests.

(iii) Possible Effects of Expected Sales Quantity and Its Basis on the Company's Future Financial Business and the Company's Countermove:

Please refer to "Letter to Shareholders".

iii. Cash Flow

(i) Liquidity Analysis of the Last 2 Years:

Item	Year	2020	2021	Increase (Decrease) Percentage (%)
	Cash Flow Ratio (%)		42.18	58.91
Cash Flow Adequacy Ratio (%)		68.19	79.69	13.52
Cash Reinvestment Ratio (%)		13.19	20.17	52.92

Analysis for the Change over 20%: Cash Flow Adequacy Ratio and Cash Reinvestment Ratio increased mainly because the operating net cash flow of this year increased.

Note: The consolidated financial statement is based on International Financial Reporting Standards.

(ii) Improvement plan for insufficient liquidity: Not applicable.

(iii) Analysis of cash liquidity in the coming year: The company expects that the cash and cash inflows from operating activities on the books in the coming year should be able to cover investment activities and financing activities. No worries about cash liquidity in the coming year.

iv. Effects of Major Capital Expenditure on Financial Business of the Past Year

(i) Major Capital Expenditure and Capital Source

Unit: NT\$ Thousands

Projects	Actual or Expected Capital Source	Actual or Expected Completion Date	Total Capital Required in 2021 and 2022	Actual Capital Expenditure in 2021 and Planned Capital Expenditure in 2022	
				2021	2022
Building factories	Own funds, financing	2022.12	2,873,267	1,043,267	1,830,000
Increasing production equipment	Own funds, financing	2022.12	2,684,620	1,214,620	1,470,000

(ii) Estimated Benefits

The capital expenditure is mainly for capacity expansion for future business growth and vertical integration of the manufacturing process so as to strengthen the quality, the elasticity of the delivery time and the optimum cost competitiveness continuously.

v. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year

The re-investment strategy of HIWIN is to strengthen the all-round development of the group in products, processes, key technologies, marketing, and customer service. It is hoped that through re-investment, the company can replicate successful experiences in production and management. This is valuable in reducing production costs and serving nearby customers. The company can also use this to accelerate the deployment of our products worldwide.

In 2021, the German, U.S., Singapore, Chinese, Italian, Swiss subsidiaries, and Mega Fabs of HIWIN are all profitable. The Japanese subsidiary recorded losses in 2021 due to the continuous expansion of its business scale. This expansion has caused an increase in expenses related to personnel, management and sales; the profits of revenue growth have not yet been reflected in the short term. In recent years, the South Korean subsidiary's efforts to develop the market have gradually achieved results, but the subsidiary firm has not yet reached the economic scale we are looking for, so it also recorded losses in 2021. We hope that with the continuous expansion of the market, the recruitment of new talent, and a more complete product line, future business conditions will gradually improve.

Matrix Precision Co., Ltd. and MATRIX, a major British gear machine tool manufacturer, jointly engage in marketing and development. They work together to improve processing efficiency and automation to move towards smart manufacturing. Matrix Precision Co., Ltd. products are positioned in the mid-to-high-end market. Under the pretenses of not losing in the aspects of precision and quality to international manufacturers, the advantages of high cost performance are emphasized and separated from commercial general-purpose machines. In recent years, the sales channels in reaching out to emerging markets have seen initial benefits, and have brought in a portion of urgent orders and transfer orders.

Eterbright Solar Corporation is currently focusing on R&D and new product promotion. In terms of patents, it has obtained a number of solar roof tile product invention patents and design patents, and has also applied for multiple patents in the European Union. However, due to the impact of the COVID-19 pandemic, many international exhibitions have been suspended. This has caused there to be no profits recorded in 2021. Eterbright Solar Corporation will continue developing in terms of R&D, both professionally and continuously. The firm will improve efficiency and consider the quality of products in order to expand market outreach with building-integrated solar energy products and create new opportunities with leading advantages in related fields.

In other overseas markets where no subsidiaries have been established, the company will also assess whether it is necessary to establish a direct unit at a suitable location in the local area, and immediately support agents in each region or directly supply customers.

vi. Risk Analysis

(i) Risk Factors: analyze and evaluate the following items in the last year and as of the publication date of the annual report.

1. Impact of interest rate, change in exchange rate and inflation on company profit and loss, the company's countermeasures

(1) Interest Rate:

As of the date of publication of the annual report, HIWIN's long-term and short-term borrowings can be used cyclically within the contract period as stipulated in the contract, under the precondition of improving the financial structure and reducing the risk of interest rate changes. The Company evaluates the bank lending rate regularly and compares it with the market rate; it keeps close contact with the bank to get a favorable rate, so the interest rate change has no major effects on it. Therefore, the change in interest rates did not have a significant impact on HIWIN.

(2) Exchange Rate:

Its revenue in 2021 mainly came from RMB, followed by Euros and US Dollars; its main raw materials and machinery equipment were paid for in dollars, euro and yen; it has been implementing foreign exchange risk management policies of "Assets and Liabilities Management" over the years and also used the forward foreign exchange contract to reduce the exchange rate risk produced by assets and liabilities. To cope with exchange rate change risk, it collects information regarding to exchange rate changes at any time to know and analyze the exchange movements, interact with the bank well and take proper countermeasures against exchange rate movement to avoid exchange rate risk.

(3) Inflation and Deflation:

The annual growth rate of Taiwan's CPI for 2021 and 2022 announced by the Accounting Office is 1.96% and 1.93% respectively. Although the risks relating to inflation are predicted to increase, it is still within an acceptable range. HIWIN will continue to engage in the research and innovation of procurement strategies and processes to reduce various costs and increase profits through appropriate price increases. These plans are predicted to be sufficient in responding to changes in the environment and reducing the impact of inflation on the company.

2. Policies of Engagement in High-Risk and High Leveraged Investment, Lending Funds to Other Parties, Endorsements and Guarantees and Derivatives Transaction, Main Causes for Profits or Losses and Future Countermeasures

- (1) HIWIN has never been engaged in high-risk and high leveraged investment deals.
- (2) As of the date of publication of the annual report, except for responding to the operating needs of the subsidiary, the funds were loaned to the subsidiary: except for HIWIN Japan, HIWIN Technologies did not loan the funds to others. At the end of 2021, the balance and the actual amount of expenditure are both NT\$ 32,187,000, the above-mentioned fund loan and others are handled in accordance with the provisions of the "Fund loan and others operating procedures" and approved by the board of directors
- (3) HIWIN Technologies made endorsements and guarantees according to Procedures for Endorsements and Guarantees, which was also approved by the Board; the balance at the end of 2021 was NT\$ 5,925,038,000. The actual amount of expenditure is NT\$ 2,881,184,000; this endorsement and guarantee can effectively reduce subsidiaries' capital increase demand for the parent company and is also beneficial to tax planning.
- (4) HIWIN performs the financial derivatives transaction steadily and conservatively to avoid risks (using actual foreign exchange receipts and payments to avoid actual exchange rate fluctuation risk produced by purchases and sales), and hasn't been engaged in speculative transaction.

3. Future R&D Plan and Estimated R & D Costs

R&D costs of HIWIN (parent company and its subsidiaries) in 2021 were NT\$ 1,058,892,000, accounting for 4% of the revenue, NT\$ 44,738,000 more or 4% increase compared to 2020's NT\$ 1,014,154,000. It'll be engaged in R & D positively in the future to lay a solid foundation for a long-term development potential, developing new products such as reducers, medical robots and various multi-axis robots, and its key items of R&D are listed below:

Plan Title	Current progress	Important factors that decide the success of future R&D
Next-generation intelligent linear slide i4.0GW specification expansion	In development	It should be able to be developed smoothly
Development of new series of wafer robots	In development	It should be able to be developed smoothly
Development of a new generation endoscope supporting robotic arm (abdominal cavity)	In development	It should be able to be developed smoothly
Development of new generation steering system ball screw	In development	It should be able to be developed smoothly
Expansion of the specifications of the compound high-speed turntable	In development	It should be able to be developed smoothly

HIWIN's R&D costs in 2022 is estimated to be about NT\$ 1,150,000,000 ~ NT\$ 1,250,000,000, up 10%~15% from the NT\$ 1,058,892,000 in 2021; with the goal of R&D costs accounting for 10% of the revenue, its R&D marches towards Industry 4.0 and the future environmental, green and intelligent automation industry; besides meeting customer requirements, it will continue to integrate the manufacturing processes, reengineer the internal process and reduce costs to expand its competitive advantage in the marketplace.

4. Effects of Changes in Major Policies and Laws at Home and Abroad on HIWIN's Business and Finance and Its Countermeasures

The company is a professional maker of drive control and system products, which are key parts and also necessities in the economic development; Changes in major policies and laws at home and abroad have little effects on its business and finance and no such changes have affected its business and finance in the last year and as of the publication

date of the annual report. The Company's management team always pays attention to changes in major policies and laws at home and abroad, know the development status and cope with market conditions change to reduce possible adverse effects in the future.

5. Effects of Technology and Industry Changes on the Company's Business and Finance and Its Countermeasures

The market risks in the post-pandemic era mainly stem from the continuous mutation of the COVID-19 virus. The recovery rates of developed countries have been stunted, and economic recovery in emerging countries is even slower due to low vaccination rates. Also, the uncertainty of the Chinese market has adverse effects on the supply chain. Increases in raw material prices due to disruptions in shipping and supply chains and concerns about inflation are risks that unfortunately cannot be resolved in the short term. Labor shortages and rising wages have become issues that all industries are facing, in addition to policies pertaining to carbon reduction that require rapid response.

In consideration of risks regarding the environment, manufacturers must respond by changing materials, processes, and production methods. HIWIN integrates electromechanics into all products, and also provides various industries with smart automation. This allows HIWIN to satisfy urgent needs in labor-related matters and local manufacturing. HIWIN also advocates for green production and sustainable supply chain management in the hope of achieving zero net carbon emissions.

Stemming from the US-China trade war, with recent trends in short-chain and decentralized manufacturing, various industries have invested in localized production plans in Eastern Europe and Southeast Asia. These include, but are not limited to, industries dealing with semiconductors, 5G, ADAS smart fuel vehicles, and electric vehicle-related industry chains. Eastern Europe and Southeast Asia will play increasingly important roles in manufacturing value chains in the future. Due to recent trends in trying to achieve carbon neutrality and energy conservation in the global auto industry, all automobile companies are developing electric vehicles. These developments have resulted in a decrease in customers' demand of products in HIWIN's original fuel vehicle industry chain. However, thanks to the new transmission methods derived from the development of electric vehicles, there are new business opportunities in industries for battery peripherals and smart automation. HIWIN will strive to provide customers in these areas with more products and services required for achieving goals in environmental protection, energy saving, and smart manufacturing with high value added.

The purpose of the evolution of technology and industry is to provide a better well-being for mankind, and this is perfectly in line with HIWIN's business philosophy. Therefore, HIWIN will continue to work hard in strengthening its R&D capabilities in order to continue the expansion of the outreach of products and their added value. This will allow HIWIN to better understand development trends in technology and industry in the long-term. The company will use this information to adjust its short-term, medium-term, and long-term development strategies and achieve HIWIN's goal of sustainable operation.

6. Effects of Corporate Image Change on Corporate Crisis Management and Its Countermeasures

HIWIN has been investing in sustainable development, public welfare, and education activities for many years (please refer to the description of Section 3 and (5) for details). The company has won many awards over the years. For example, the equipment front end module (EFEM) won the 30th Taiwan Excellence Silver Award from the Ministry of Economic Affairs, the TSAA Taiwan Sustainability Award "Economic Development Award - Silver Award", and the "Social Inclusion Award - Silver Award". HIWIN also won the TCSA Taiwan Corporate Sustainability Award "Comprehensive Performance - Taiwan TOP 50 Sustainability" Corporate Award and "Corporate Sustainability Report-Platinum Award". In addition, the company also received the British Standards Institute's (BSI) Award for Outstanding Sustainability and Resilience, TCSA's highest honor "Taiwan Top Ten Sustainability Model Enterprise Award", and "Taiwan Corporate Sustainability Report Platinum Award", "Innovation Growth Award

and Talent Development Award". These awards imply that the government and the outside world affirm the positive corporate image of HIWIN. If there is any situation that threatens to adversely affect the company's corporate image, the company's crisis response team will immediately take necessary countermeasures.

7. Anticipated Benefits, Possible Risks and Countermeasures of Mergers

As of the most recent year and the date of publication of the annual report, the Company has not conducted any merger and acquisition activities.

8. Anticipated Benefits, Possible Risks and Countermeasures of Plant Expansion

Please refer to VII. iv of the annual report for plant expansion. HIWIN has been laying a solid foundation over the years, rich experience and good results in investing R&D and process improvement. In addition to continuing to extend the process forward to capture the source of raw materials and reduce the cost of material purchases, the continuous improvement of the process has been put into production in the most profitable way. Therefore, the efficiency of the expansion of the plant is expected to be significantly higher than that of the existing plant.

Although the expansion of the plant requires capital investment, the developed product can also reduce the production cost in addition to meeting the scale, and it can also complete the product line of the company, to provide one-stop shopping for products such as customer components and sub-systems. The financial analysis also shows that in addition to increasing production capacity, the expansion of the plant can also reduce product costs and increase gross profit margin due to economies of scale. In summary, even if the economy temporarily declines, the company can flexibly control the production line and the configuration of each product's production capacity due to the advantages of key technologies. The risk of expanding the plant should be limited.

9. Risks and Countermeasures of Centralized Purchases or Sales

In 2021 and 2020, there is no single vendor with a purchase of more than 10% of HIWIN, so there is no case of concentration of purchases. In 2021 and 2020, net sales of the largest individual customer accounted for 13.1% and 18.6% of net annual sales respectively. The reason for the higher increase in the sales ratio of the largest individual customer in 2021 is that customer A has more end customers that work in the semiconductor industry. Due to heightened demand in the semiconductor industry, the amount of customer A's orders has increased. On the other hand, customer B's end customers are mostly large-scale enterprises that work in the 5G and mobile phone industries. Due to recent delays in the demand for 5G and mobile phones, the customer B's orders have decreased overall. The end customers of customers A and B are distributed in a wide range of industries, and most of them are large enterprises. Because sales are not concentrated on any certain customer, there is no excessive concentration of sales, and risks related to this issue are limited. The Company closely observes and makes efforts to understand the status of its business operations. HIWIN evaluates and adjusts its credit conditions in a timely manner to make appropriate responses. Assessment risk should also be very limited.

11. Effects of the Change of Management Right on the Company, Risks and Countermeasures
HIWIN's management right hasn't changed in the last year and as of the publication date of the annual report.

12. Litigation & Non-Litigation

There have been no litigation & non-litigation cases as of the publication date of the annual report.

13. Other Important Risks and Countermeasures

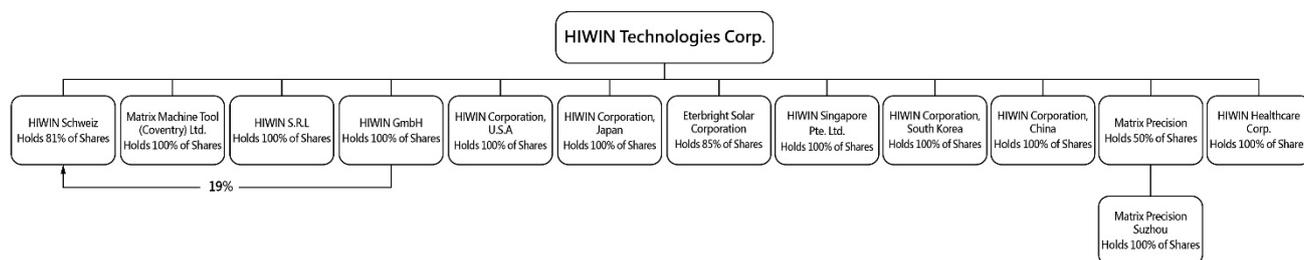
There have been no such risks in the last year and as of the publication date of the annual report.

vii. Other Important Matters: None.

VIII. Special Disclosures

i. Information on Affiliates

(i) Organizational Structure of Affiliates HIWIN Healthcare Corp; 100% Shares Held



Note: Enterprise Relationship Chart as of April 30th, 2022

(ii) Basic Information of Affiliates

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
HIWIN Corporation, U.S.A	19920915	12455 Jim Dhamer Drive, Huntley, IL 60142, U.S.A	USD10,740,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN GmbH	19930401	Brücklesbünd 2 D-77654 Offenburg, Germany	EUR5,635,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, Japan	19991101	3F, Sannomiya-Chuo Bldg., 4-2-20 Goko-dori, Chuo-ku, Kobe-shi, Hyogo, 651-0087, Japan	JPY440,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Eterbright Solar Corporation	20101201	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County 351, Taiwan	NTD2,311,514,690	Research, development, design, manufacture and sale of solar cells, electronic components, generation transmission, and power distribution products, etc.
HIWIN S.R.L	20130329	Via Pitagora 4, 20861 Brugherio (MB)	EUR8,500,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Singapore Pte. Ltd.	20130807	Block 203 Woodlands Avenue 9 #06-51 Woodlands Spectrum II Singapore 738956	SGD5,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
HIWIN Corporation, South Korea	20131008	125-25 Saneop-ro, 156beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do 441-811, Korea	KRW8,800,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, China	20140408	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Healthcare Corp.	20150421	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sale of medical robots
Matrix Precision Co., Ltd.	19940502	No. 1-1, Li Hsin 1st Rd., Hsinchu Science Park, Hsinchu City	NTD684,525,000	Development, design, manufacturing and sale of high precision gear cutter and gear lapping machine tool
Matrix Suzhou	20190522	No. 2 Xiazhuang Road, Suzhou Industrial Park	CNY2,000,000	Sales of precision gear cutters and machine tools.
Matrix Machine Tool (Coventry) Ltd.	20031021	Unit 4, Spitfire Close Coventry Business Park CV5 6UR United Kingdom	GBP5,449,500	Design, manufacture and sale of thread forming machines
HIWIN (Schweiz) GmbH	19990707	Eichwiesstrasse 20, 8645 Jona, Switzerland	CHF300,000	Manufacturing and sales of precision transmission parts, ball screws, linear slides and industrial robots.

Note: the base date of paid-in capital is April 30th, 2022; unit: dollar in each currency

(iii) Information of the Same Shareholders of Affiliates Deemed to Be Controlling Corporates and Subsidiary Corporates: None.

(vi) The Industries Covered by Business of Affiliates; If Business of Affiliates Is Connected, State the Division of Work:

The industries covered by business of HIWIN's affiliates are mainly "Drive Control and System Technology Products Manufacturing Service", "Gear tools machine industry" and "Solar photovoltaic industry"; as a whole, the affiliates create the maximum comprehensive benefits through mutual support in technology, capacity, marketing and service, and provide customers with "Global Innovative Value-Added Service" to ensure HIWIN's leading position in the global market.

(v) Information of Directors, Supervisors and General Managers of Affiliates

Unit: Shares; %

Company Name	Title	Name or Representative	Number of Shares Held	Shareholding Ratio
HIWIN Corporation, U.S.A	Chairman	Chuo, Yung-Tsai	-	-
	Director	Chuo, Wen-Hen, Tsai, Huey-Ching, Chiu, Shi-Rong	-	-
	General Manager	Chiu, Shi-Rong	-	-
HIWIN Germany GmbH	Chairman	Chuo, Yung-Tsai	-	-
	General Manager	Werner Mäurer	-	-
HIWIN Corporation, Japan	Chairman	Chuo, Yung-Tsai	-	-
	Director	Tsai, Huey-Ching, Shuda Nakata, Huang, Li-Hong	-	-
	Supervisor	Liao Ke-Huang	-	-
Eterbright Solar Corporation	Chairman	Representative of HIWIN Investments Corp.: Chuo, Yung-Tsai	9,167,725	2%
	Co-Chairman	Chuo, Wen-Hen	1,308,447	0%
	Director	Representative of HIWIN Technologies Corp.: Wu, Yue-Ching	345,460,592	85%
	Director	Lee, Shun-Chi	2,225,766	1%
	Director	Chuo, Hsiu-Yu	808,467	0%
	Director/General Manager	Lin, Ming-Yao	89,437	0%
	Supervisor	Liao, Ke-Huang	66,377	0%
HIWIN S.R.L.	Director	Chuo, Wen-Hen, Liao, Ke-Huang	-	-
	General Manager	Yang, Chuang-Bao	-	-
HIWIN Singapore Pte. Ltd.	Director	Chuo, Yong-Tsai, Chuo, Wen-Hen, You, Kai-Sheng, Chen, Yong-Hsiang	-	-
	General Manager	Chen, Yong-Hsiang	-	-
HIWIN Corporation, South Korea	Director	Chuo, Yong-Tsai, Chuo, Wen-Hen, You, Kai-Sheng	-	-
	Supervisor	Chiang, Mei-Chih	-	-
	General Manager	Kao, Rong-Bang	-	-
HIWIN China	Chairman	Peng, Yan-Chi	-	-
	Director	Tsai, Huey-Ching, You, Kai-Sheng	-	-
	Supervisor	Wu, Yue-Ching	-	-
	General Manager	Chen, Hong-Ming	-	-
HIWIN Healthcare Corp.	Chairman	Tsai, Huey-Ching	-	-
Matrix Precision	Chairman/General Manager	Chuo, Wen-Hen	1,311,107	2%
	Deputy Chairman/Co-General Manager	Chuo, Hsiu-Yu	3,377,986	5%

	Director	Representative of HIWIN Technologies Corp.: Chu, Yue-Ling	34,294,075	50%
	Director/Co-General Manager	Representative of HIWIN Investments: Chuo, Yong-Tsai	11,877,558	17%
	Director	Representative of All Horng Gear Industry Co., Ltd.: Hung, Ying-Che	960,164	1%
	Supervisor	Wu, Yue-Chin	-	-
	General Manager	Chu, Yue-Ling	190,000	0%
Matrix Suzhou	Chairman	Hong, Chi-Hsiung	-	-
	Director	Chu, Yue-Ling, Chen Hong-Ming	-	-
	Supervisor	Liao, Ke-Huang	-	-
	General Manager	Wang, Zhi-Hong	-	-
Matrix Machine Tool (Coventry) Ltd.	Director	Chuo, Wen-Hen, Chu, Yue-Ling, Hsue Chih-Chiang, Nelson Chiow, Paul Farndon	-	-
	General Manager	Chu, Yue-Ling	-	-
HIWIN Swiss	General Manager	Liu, Mei-Li	-	-

Note 1: shares unissued.

Note 2: data as of April 30th, 2021

(vi) Business Status of Affiliates

Unit: NTD Thousands

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per Share (NT\$)
HIWIN Corporation, U.S.A.	NT\$ 303,495	NT\$ 1,294,570	NT\$ 470,664	NT\$ 823,906	NT\$ 1,185,939	NT\$ 204,931	NT\$ 145,238	NT\$ 67.62
HIWIN Germany GmbH	NT\$ 224,494	NT\$ 3,801,410	NT\$ 1,598,091	NT\$ 2,203,319	NT\$ 3,870,677	NT\$ 430,397	NT\$ 326,315	Note 1
HIWIN Corporation, Japan	NT\$ 121,676	NT\$ 2,040,725	NT\$ 1,921,528	NT\$ 119,197	NT\$ 1,205,339	NT\$ (56,240)	NT\$ (59,220)	NT\$ (952.09)
Eterbright Solar Corporation	NT\$ 4,061,515	NT\$ 692,856	NT\$ 824,896	NT\$ (132,040)	NT\$ 27,406	NT\$ (497,313)	NT\$ (1,030,113)	NT\$ (2.54)
HIWIN S.R.L.	NT\$ 289,170	NT\$ 1,316,613	NT\$ 1,124,537	NT\$ 192,076	NT\$ 1,219,276	NT\$ 86,992	NT\$ 51,447	Note 1
HIWIN Singapore Pte. Ltd.	NT\$ 117,550	NT\$ 138,982	NT\$ 97,989	NT\$ 40,993	NT\$ 291,018	NT\$ 33,310	NT\$ 32,041	NT\$ 6.41
HIWIN Corporation, South Korea	NT\$ 242,707	NT\$ 322,281	NT\$ 345,407	NT\$ (23,126)	NT\$ 507,676	NT\$ 18,892	NT\$ (1,806)	NT\$ (1.03)
HIWIN China	NT\$ 1,498,040	NT\$ 5,709,693	NT\$ 3,529,307	NT\$ 2,180,386	NT\$ 4,757,377	NT\$ 426,098	NT\$ 312,569	Note 1

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per Share (NT\$)
HIWIN Healthcare Corp.	NT\$ 3,108	NT\$ 3,931	NT\$ 1,346	NT\$ 2,585	NT\$ 20,521	NT\$ (47.00)	NT\$ (45.00)	NT\$ (0.45)
Matrix Precision Corp.	NT\$ 684,525	NT\$ 1,881,212	NT\$ 1,460,271	NT\$ 420,941	NT\$ 298,694	NT\$ (265,515)	NT\$ (262,398.)	NT\$ (3.83)
Shanghai Luren Precision Co.	-	-	-	-	-	NT\$ (2.00)	NT\$ (4,253)	Note 1
Matrix Suzhou	NT\$ 9,076	NT\$ 46,530	NT\$ 40,218	NT\$ 6,312	NT\$ 115,588	NT\$ 1,237	NT\$ 873	Note 1
Matrix Machine Tool (Coventry) Ltd.	NT\$ 216,176	NT\$ 360,267	NT\$ 131,480	NT\$ 228,787	NT\$ 28,001	NT\$ (64,972)	NT\$ (61,282)	NT\$ (11.25)
HIWIN (Schweiz) GmbH	NT\$ 9,414	NT\$ 390,811	NT\$ 96,985	NT\$ 293,826	NT\$ 436,406	NT\$ 65,982	NT\$ 59,768	NT\$ 199.23

Note 1: shares unissued.

Note 2: If the Affiliates are foreign companies, convert the related figures to NT\$ at the rate on the report day:

	Closing Rate	Average Rate
1 USD	NT\$ 27.680	NT\$ 28.009
1 EUR	NT\$ 31.32	NT\$ 33.16
1 JPY	NT\$ 0.2405	NT\$ 0.2554
1 SGD	NT\$ 20.46	NT\$ 20.85
1 KRW	NT\$ 0.02350	NT\$ 0.02471
1 CNY	NT\$ 4.344	NT\$ 4.341
1 GBP	NT\$ 37.30	NT\$ 38.56
1 CHF	NT\$ 30.18	NT\$ 30.64

Note 3: the base date of the financial information of Affiliates' business status is December 31, 2021.

Note 4: Luren Precision Co. completed liquidation in June 2021.

(vii) Consolidated Financial Statements of Affiliates: Please refer to Appendix i.

(viii) Related Reports: None.

ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date: None.

iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date: None.

iv. Other Necessary Supplemental Information: None.

v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report: None.

Appendix i : Financial Report of Recent Year and CPA Audit Report

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of revenue recognition were in accordance with the terms of transaction.
2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure

the consistency between terms of transaction and the timing of revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2022

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

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

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Note 19)								
	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2020	\$ 3,095,789	\$ 3,236,274	\$ 2,706,052	\$ 14,410,303	\$ (409,634)	\$ 704,469	\$ 23,743,253	\$ (88,776)	\$ 23,654,477
Appropriation of 2019 earnings									
Legal reserve	-	-	186,532	(186,532)	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	(557,242)	-	-	(557,242)	-	(557,242)
Share dividends - NT\$0.3 per share	92,874	-	-	(92,874)	-	-	-	-	-
	92,874	-	186,532	(836,648)	-	-	(557,242)	-	(557,242)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	2,335,000	-	2,335,000
Changes in non-controlling interests	-	-	-	-	-	-	-	99,460	99,460
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	(125,678)	-	-	(125,678)	125,678	-
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	84,098	(84,098)	-
Share-based payments	-	65,196	-	-	-	-	65,196	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	42,136	-	(42,136)	-	-	-
Net profit (loss) for the year ended December 31, 2020	-	-	-	1,929,730	-	-	1,929,730	(230,951)	1,698,779
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	(56,166)	72,770	71,167	87,771	5,953	93,724
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,873,564	72,770	71,167	2,017,501	(224,998)	1,792,503
BALANCE AT DECEMBER 31, 2020	3,308,663	5,600,568	2,892,584	15,363,677	(336,864)	733,500	27,562,128	(172,734)	27,389,394
Appropriation of 2020 earnings									
Legal reserve	-	-	179,002	(179,002)	-	-	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	(661,733)	-	-	(661,733)	-	(661,733)
Share dividends - NT\$0.3 per share	99,260	-	-	(99,260)	-	-	-	-	-
	99,260	-	179,002	(939,995)	-	-	(661,733)	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	(84,098)	-	(350,958)	-	-	(435,056)	435,056	-
Changes in non-controlling interests	-	-	-	-	-	-	-	303,317	303,317
Net profit (loss) for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230	(377,537)	3,154,693
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716	(1,272)	281,444
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946	(378,809)	3,436,137
BALANCE AT DECEMBER 31, 2021	\$ 3,407,923	\$ 5,516,470	\$ 3,071,586	\$ 17,609,166	\$ (599,662)	\$ 1,274,802	\$ 30,280,285	\$ 186,830	\$ 30,467,115

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

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

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Business combinations

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

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

f. Foreign currencies

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

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

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

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

g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant, and equipment

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

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

3) Derecognition of intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Provision

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

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

o. Revenue recognition

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

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

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

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

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

q. Borrowing costs

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

r. Government grants

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

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

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

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

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

u. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 1,735	\$ 2,324
Checking accounts and demand deposits	5,024,410	2,362,456
Pledged time deposits	2,000	2,000
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>406,908</u>	<u>238,872</u>
	5,435,053	2,605,652
Less: Pledged time deposits (classified as other current assets)	<u>(2,000)</u>	<u>(2,000)</u>
	<u>\$ 5,433,053</u>	<u>\$ 2,603,652</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.40	0.00-0.40
Time deposits (investments with original maturities of 3 months or less)	0.59-2.66	0.05-2.40
Pledged time deposits	0.82	0.82

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	RMB165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NTD105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NTD361,257
Sell	USD/NTD	2021.1.26-2021.3.29	USD1,700/NTD47,862

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

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

	<u>December 31</u>	
	2021	2020
Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 1,076,401	\$ 860,140
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	386,799	45,017
Taichung International Country Club	3,080	2,650
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	36,427
	<u>\$ 1,466,280</u>	<u>\$ 944,234</u>

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

In October 2020, Kaland's board of directors resolved to return US\$4,213 thousand of share premium to the Corporation. In August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated in August 2021 for net proceeds of US\$804 thousand.

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

a. Notes receivable

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

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

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

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

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

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2021</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 3,049,863	\$ 133,806	\$ 1,142	\$ 13,433	\$ 3,198,244
Loss allowance (Lifetime ECL)	<u>(2,383)</u>	<u>(1,853)</u>	<u>(520)</u>	<u>(12,134)</u>	<u>(16,890)</u>
Amortized cost	<u>\$ 3,047,480</u>	<u>\$ 131,953</u>	<u>\$ 622</u>	<u>\$ 1,299</u>	<u>\$ 3,181,354</u>

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,605,244	\$ 508,843	\$ 6,150	\$ 13,093	\$ 5,133,330
Loss allowance (Lifetime ECL)	<u>(3,155)</u>	<u>(1,888)</u>	<u>(631)</u>	<u>(11,158)</u>	<u>(16,832)</u>
Amortized cost	<u>\$ 4,602,089</u>	<u>\$ 506,955</u>	<u>\$ 5,519</u>	<u>\$ 1,935</u>	<u>\$ 5,116,498</u>

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

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

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

10. INVENTORIES

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

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

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

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

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

Luren Shanghai has been liquidated in June 2021.

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

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

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

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

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

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

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

Matrix Precision and Matrix Precision's subsidiaries

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

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

(Continued)

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

Hiwin Schweiz

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

For the Year Ended December 31, 2020

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

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

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

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

Buildings and improvements	
Main buildings	10-55 years
Electrical power equipment	5-35 years
Engineering system	5-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-20 years
Transportation equipment	2-10 years
Leasehold improvements	2-17 years
Miscellaneous equipment	2-15 years

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.45%-1.50%	1.45%-1.50%
Buildings	0.90%-4.10%	1.35%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.23%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

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

The Group also leases land and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

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

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

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

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

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

16. BORROWINGS

a. Short-term borrowings

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

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

b. Short-term bills payable

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

c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings</u> (Note 28)		
Secured loans	\$ 5,739,668	\$ 7,398,147
<u>Unsecured borrowings</u>		
Unsecured loans	<u>445,677</u>	<u>767,380</u>
	6,185,345	8,165,527
Less: Current portion	<u>(807,197)</u>	<u>(1,273,168)</u>
Long-term borrowings	<u>\$ 5,378,148</u>	<u>\$ 6,892,359</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.36-4.90	0.36-4.90
Unsecured loans	0.70-1.65	0.70-4.90

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

17. OTHER PAYABLES

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

Hiwin Italy

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

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

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

19. EQUITY

a. Ordinary shares

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

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

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

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

b. Capital surplus

	<u>December 31</u>	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 5,509,020	\$ 5,509,020
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	-	84,098
Invalid employee shares	<u>7,450</u>	<u>7,450</u>
	<u>\$ 5,516,470</u>	<u>\$ 5,600,568</u>

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

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

c. Retained earnings and dividends policy

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

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

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

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

The appropriations of earnings for 2021 had been proposed by the Corporation's board of directors on February 25, 2022. The appropriations and dividends per share were as follows:

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

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

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

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

Information about capitalized interest is as follows:

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

b. Employee benefits expense, depreciation and amortization expenses

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

c. Compensation of employees and remuneration of directors

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

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

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

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

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

21. INCOME TAXES

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

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

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

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

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

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

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

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

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

c. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 121,474	\$ (23,514)	\$ -	\$ 97,960
Allowance for impairment loss	8,540	(1,647)	-	6,893
Allowance for inventory devaluation	76,252	19,832	-	96,084
Payable for annual leave	17,919	4,872	-	22,791
Defined benefit obligation	20,146	(8,447)	14,874	26,573
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Provisions	4,844	(90)	-	4,754
Financial liabilities at FVTPL	-	1,440	-	1,440
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Deferred expenses	5,217	(2,284)	-	2,933
Unrealized loss on foreign currency exchange	14,737	(14,737)	-	-
Loss carryforwards	7,454	(7,454)	-	-
Others	<u>2,267</u>	<u>11,674</u>	<u>-</u>	<u>13,941</u>
	<u>\$ 388,328</u>	<u>\$ (23,306)</u>	<u>\$ (3,302)</u>	<u>\$ 361,720</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 399,207	\$ 91,798	\$ -	\$ 491,005
Unrealized gain on foreign currency exchange	-	21,411	-	21,411
Financial assets at FVTPL	511	(511)	-	-
Intangible assets	4,643	(4,643)	-	-
Others	<u>45,993</u>	<u>(1,652)</u>	<u>-</u>	<u>44,341</u>
	<u>\$ 450,354</u>	<u>\$ 106,403</u>	<u>\$ -</u>	<u>\$ 556,757</u>

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

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

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

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

f. Income tax assessments

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

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,532,230	340,792	<u>\$ 10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,053</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$ 10.33</u>
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,929,730	328,770	<u>\$ 5.87</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>580</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,929,730</u>	<u>329,350</u>	<u>\$ 5.86</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 23, 2021. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2020 were as follows:

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

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

23. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

Hiwin Schweiz was acquired by the Group in order to expand the development in the field of drive control, enhance its competitive advantage and increase the scale of operations.

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

Current assets		
Cash		\$ 78,948
Trade receivables		30,464
Inventories		171,005
Other current assets		5,175
Non-current assets		
Property, plant and equipment		7,067
Right-of-use assets		32,540
Other non-current assets		157
		(Continued)

Current liabilities	
Trade and other payables	\$ (60,879)
Lease liabilities - current	(6,191)
Other current liabilities	(6,795)
Non-current liabilities	
Lease liabilities - non-current	<u>(26,349)</u>
	<u>\$ 225,142</u>
	(Concluded)
c. Gain from bargain purchase on acquisition	
Consideration transferred	\$ 66,300
Less: Fair value of identifiable net assets acquired	<u>(112,571)</u>
Gain from bargain purchase on acquisition	<u>\$ (46,271)</u>
Gain from bargain purchase arose from the consideration paid for the acquisition which was less than the fair value of the identifiable net assets acquired.	
d. Net cash inflow on acquisition of subsidiaries	
Consideration paid in cash	\$ 66,300
Less: Cash balances acquired	<u>(78,948)</u>
	<u>\$ (12,648)</u>

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 24, 2021 and December 30, 2021, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

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

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

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

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

25. CAPITAL MANAGEMENT

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

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

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

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

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$52,785 thousand and \$51,989 thousand, respectively.

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

2) Credit risk

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

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

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 75% and 71% of the total trade receivables as of December 31, 2021 and 2020, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities of \$12,566,013 thousand and \$10,999,568 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 6,318,679	\$ -	\$ -
Lease liabilities	144,586	284,977	124,811
Fixed interest rate liabilities	1,013,707	257,962	11,150
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>2,607,042</u>
	<u>\$ 12,313,170</u>	<u>\$ 3,044,933</u>	<u>\$ 2,743,003</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,925,641	\$ -	\$ -
Lease liabilities	156,924	323,503	149,930
Fixed interest rate liabilities	240,599	189,407	22,003
Variable interest rate liabilities	<u>6,594,550</u>	<u>3,275,515</u>	<u>3,405,434</u>
	<u>\$ 11,917,714</u>	<u>\$ 3,788,425</u>	<u>\$ 3,577,367</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 7,327</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2021</u>					
Lease liabilities	\$ 144,586	\$ 284,977	\$ 75,001	\$ 49,810	\$ -
Fixed interest rate liabilities	1,013,707	257,962	11,150	-	-
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>1,551,331</u>	<u>405,711</u>	<u>650,000</u>
	<u>\$ 5,994,491</u>	<u>\$ 3,044,933</u>	<u>\$ 1,637,482</u>	<u>\$ 455,521</u>	<u>\$ 650,000</u>
<u>December 31, 2020</u>					
Lease liabilities	\$ 156,924	\$ 323,503	\$ 89,261	\$ 51,595	\$ 9,074
Fixed interest rate liabilities	240,599	189,407	22,003	-	-
Variable interest rate liabilities	<u>6,594,550</u>	<u>3,275,515</u>	<u>2,019,093</u>	<u>704,559</u>	<u>681,782</u>
	<u>\$ 6,992,073</u>	<u>\$ 3,788,425</u>	<u>\$ 2,130,357</u>	<u>\$ 756,154</u>	<u>\$ 690,856</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

<u>Related Party</u>	<u>Relationship with the Group</u>
Hiwin S.R.O.	Associate
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party
All Horng Gear Industry Co., Ltd.	Other related party
Taiwan Gong Ji Chang Co., Ltd.	Other related party (became non-related party starting from July 27, 2021)
Eric Y. T. Chuo	Key management personnel

b. Operating transactions

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

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

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

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

3) Other operating transactions

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

c. Acquisition of property, plant and equipment

Purchase Price	
For the Year Ended December 31	
2021	2020

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

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

For the Year Ended December 31	
2021	2020

Acquisition of right-of-use assets

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

Lease liabilities

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

Finance costs

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

For the Year Ended December 31, 2020

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

f. Endorsements and guarantees

Endorsements and guarantees given by related parties

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

g. Remuneration of key management personnel

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

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Trading in derivative instruments. (Notes 7 and 26)
 - 10) Other: intercompany relationships and significant intercompany transactions. (Table 8)
 - 11) Information on investees. (Table 9)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 10)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 6 and 8)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)

33. SEGMENT INFORMATION

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

a. Segment revenue and results

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

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

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

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

b. Segment total assets and liabilities

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

c. Geographical information

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

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

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

d. Information about major customers

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 254,500	\$ 32,187	\$ 32,187	1.165%	1	Sales \$765,313	-	\$ -	-	\$ -	\$ 4,542,043	\$ 9,084,086
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	52,902	-	-	1.49%	1	Sales 1,057,657	-	-	-	-	4,542,043	9,084,086

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

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

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

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix	Subsidiary	\$ 3,028,029	\$ 78,700 (GBP 2,000)	\$ 74,600 (GBP 2,000)	\$ 18,650 (GBP 500)	\$ -	0.2%	\$ 10,598,100	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	3,028,029	507,600 (EUR 15,000)	469,800 (EUR 15,000)	257,674 (EUR 8,227)	-	1.6%	10,598,100	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	3,028,029	2,250,000	2,175,000	639,000	-	7.2%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	3,028,029	334,320 (USD 12,000)	166,080 (USD 6,000)	8,304 (USD 300)	-	0.5%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	3,028,029	342,420 (USD 12,000)	332,160 (USD 12,000)	120,408 (USD 4,350)	-	1.1%	10,598,100	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	3,028,029	1,724,250 (JPY 6,690,920)	1,607,398 (JPY 6,683,568)	1,487,148 (JPY 6,183,568)	-	5.3%	10,598,100	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	3,028,029	1,100,000	1,100,000	350,000	-	3.6%	10,598,100	Yes	-	-

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

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,890	-	\$ 2,890	
	<u>Shares</u> Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,525,676	1,076,401	8	1,076,401	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	386,799	3	386,799	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,080	-	3,080	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount (Note 3)
The Corporation	Share capital	Investments accounted for using the equity method	Matrix Precision	Subsidiary	2,171,075	\$ 95,313	32,123,000	\$ 419,420	-	\$ -	\$ -	\$ -	\$ (130,453) (Note 1)	34,294,075	\$ 384,280
The Corporation	Share capital	Investments accounted for using the equity method	Eterbright	Subsidiary	171,449,427	(643,793)	174,011,165	1,740,112	-	-	-	-	(1,219,358) (Note 2)	345,460,592	(123,039)

Note 1: Including investment loss and other comprehensive loss accounted for using the equity method of \$(132,654) thousand, realized gross profit of \$242 thousand and an increase in net assets of \$1,959 thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

Note 2: Including investment loss accounted for using the equity method of \$(783,536) thousand, realized gross profit of \$1,193 thousand and an decrease in net assets of \$(437,015) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

Note 3: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Corporation	Yunlin Technology Factory	2021.6.28	\$ 458,000	\$ 109,920	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
Hiwin Japan	Kobe Technology Factory	2021.3.23	1,075,850 (JPY 4,033,920)	655,467 (JPY 2,566,432)	Obayashi Corporation	None	-	-	-	-	Vendor bidding	Plant construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin China	Subsidiary	Sale	\$ (4,323,908)	(19%)	O/A 120 days	\$ -	-	\$ 1,686,443	26%	
	Hiwin Germany	Subsidiary	Sale	(2,123,776)	(9%)	O/A 90 days	-	-	976,788	15%	
	Hiwin Italy	Subsidiary	Sale	(1,057,657)	(5%)	O/A 180 days	-	-	713,740	11%	
	Hiwin Japan	Subsidiary	Sale	(765,313)	(3%)	O/A 150 days	-	-	568,908	9%	
	Hiwin USA	Subsidiary	Sale	(501,394)	(2%)	O/A 120 days	-	-	190,503	3%	
	Hiwin Korea	Subsidiary	Sale	(341,983)	(1%)	O/A 180 days	-	-	167,078	3%	
	Hiwin Schweiz	Subsidiary	Sale	(235,208)	(1%)	O/A 60 days	-	-	36,483	1%	
	Hiwin Singapore	Subsidiary	Sale	(150,285)	(1%)	O/A 120 days	-	-	53,803	1%	
	Hiwin Mikrosystem	Other related party	Purchase	172,926	2%	O/A 90 days	-	-	(28,256)	-	
	Hiwin Mikrosystem	Other related party	Sale	(103,109)	-	O/A 90 days	-	-	-	-	
Hiwin China	The Corporation	Parent company	Purchase	4,323,908	97%	O/A 120 days	-	-	(1,686,443)	(97%)	
Hiwin Germany	The Corporation	Parent company	Purchase	2,123,776	71%	O/A 90 days	-	-	(976,788)	(83%)	
	Hiwin Mikrosystem	Other related party	Purchase	341,860	11%	O/A 90 days	-	-	(108,618)	(9%)	
	Hiwin S.R.O	Other related party	Sale	(195,280)	(5%)	O/A 45 days	-	-	17,532	10%	
Hiwin Italy	The Corporation	Parent company	Purchase	1,057,657	94%	O/A 180 days	-	-	(713,740)	(95%)	
Hiwin Japan	The Corporation	Parent company	Purchase	765,313	89%	O/A 150 days	-	-	(568,908)	(93%)	
Hiwin USA	The Corporation	Parent company	Purchase	501,394	75%	O/A 120 days	-	-	(190,503)	(84%)	
	Hiwin Mikrosystem	Other related party	Purchase	143,629	22%	O/A 90 days	-	-	(21,935)	(10%)	
Hiwin Korea	The Corporation	Parent company	Purchase	341,983	92%	O/A 180 days	-	-	(167,078)	(98%)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	235,208	82%	O/A 60 days	-	-	(36,483)	(71%)	
Hiwin Singapore	The Corporation	Parent company	Purchase	150,285	75%	O/A 120 days	-	-	(53,803)	(75%)	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 568,908	1.94	\$ -	-	\$ 29,250	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	34,184	-	-	-	34,184	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	976,788	3.42	-	-	275,879	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	713,740	2.06	-	-	101,600	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	406	-	-	-	406	-
	Hiwin China	Subsidiary	Trade receivables from related parties	1,686,443	3.24	-	-	790,053	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	190,503	3.50	-	-	63,368	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	167,078	2.84	-	-	62,501	-

Note : Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hiwin Germany	1	Sales	\$ 2,123,776	O/A 90 days	8
			1	Trade receivables	976,788	O/A 90 days	2
		Hiwin Japan	1	Sales	765,313	O/A 150 days	3
			1	Trade receivables	568,908	O/A 150 days	1
		Hiwin China	1	Other receivables	34,184	-	-
			1	Sales	4,323,908	O/A 120 days	16
		Hiwin Italy	1	Trade receivables	1,686,443	O/A 120 days	3
			1	Sales	1,057,657	O/A 180 days	4
		Hiwin USA	1	Trade receivables	713,740	O/A 180 days	1
			1	Sales	501,394	O/A 120 days	2
		Hiwin Korea	1	Trade receivables	190,503	O/A 120 days	-
			1	Sales	341,983	O/A 180 days	1
		Hiwin Schweiz	1	Trade receivables	167,078	O/A 180 days	-
			1	Sales	235,208	O/A 60 days	1
		Hiwin Singapore	1	Trade receivables	36,483	O/A 60 days	-
			1	Sales	150,285	O/A 120 days	1
			1	Trade receivables	53,803	O/A 120 days	-

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

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

Note 3: Unrealized gains from Hiwin China totaled \$353,928 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,683,515	\$ 326,315	\$ 326,315	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	715,336	145,238	145,238	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	817,642	62,200	100	44,350	(59,220)	(59,220)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	184,717	74,362	29,745	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	4,723,668	2,983,556	345,460,592	85	(123,039)	(1,030,113)	(783,536)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	19,104	32,041	32,041	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	202,945	1,760,000	100	(66,630)	(1,806)	(1,806)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	603,244	34,294,075	50	384,280	(262,398)	(131,375)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,585	(45)	(45)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	(49,816)	51,447	51,447	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	535,904	461,344	5,449,500	100	273,715	(61,282)	(55,219)	Subsidiary
Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	179,530	59,768	59,768	Subsidiary	
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	68,030 (EUR 2,172)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	40,304	59,768	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 232,872 (USD 8,413)	(Note 1)	\$ 19,256 (USD 804)	\$ -	\$ 19,256 (USD 804)	\$ -	\$ 68,926	-	(Note 3)	\$ - (Note 7)	\$ 139,396 (USD 4,640)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	312,569	100	\$ 312,569 (Notes 4 and 6)	1,826,457 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(4,253)	-	(2,132) (Notes 4 and 6)	- (Note 8)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	873	50	438 (Notes 4 and 6)	3,162 (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 5)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 252,565 (Note 5)

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

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

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

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

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

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

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

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

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

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

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

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

Appendix ii : Independent Financial Report of Recent Year audited and signed by CPA

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of the revenue recognition were in accordance with the terms of transaction.

2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure the consistency between terms of transaction and the timing of the revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2021, the carrying amount of inventory was \$4,681,275 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the financial statements.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2022

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,252,698	5	\$ 1,333,122	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,895	-	128	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	172,837	-	51,500	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	1,862,292	4	3,916,607	10
Trade receivables from related parties, net (Notes 4 and 26)	4,396,307	10	2,152,891	5
Inventories (Notes 4, 5 and 10)	4,681,275	11	3,675,909	9
Other current assets (Note 26)	265,732	1	472,616	1
Total current assets	13,634,036	31	11,602,773	28
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,466,280	3	944,234	2
Financial assets at amortized cost - non-current (Note 4)	2,890	-	2,906	-
Investments accounted for using the equity method (Notes 4, 11, 22, 23 and 26)	5,313,589	12	5,228,078	12
Property, plant and equipment (Notes 4, 12, 26 and 27)	21,339,966	49	21,629,762	52
Right-of-use assets (Notes 4, 13 and 26)	217,819	1	236,881	1
Deferred tax assets (Notes 4 and 20)	591,444	1	300,492	1
Prepayments for machinery and equipment (Notes 14 and 26)	1,372,199	3	1,713,968	4
Refundable deposits (Note 4)	15,409	-	10,385	-
Other non-current assets (Notes 4 and 26)	15,547	-	144,458	-
Total non-current assets	30,335,143	69	30,211,164	72
TOTAL	\$ 43,969,179	100	\$ 41,813,937	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	\$ 1,940,000	4	\$ 1,980,000	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,580	-	7,327	-
Contract liabilities - current (Note 4)	98,949	-	20,397	-
Notes payable	1,665	-	8,762	-
Trade payables to unrelated parties	3,647,902	8	3,056,834	7
Trade payables to related parties (Note 26)	38,003	-	12,397	-
Other payables (Notes 16 and 26)	1,614,945	4	1,151,080	3
Current tax liabilities (Notes 4 and 20)	1,095,211	3	259,185	1
Lease liabilities - current (Notes 4, 13 and 26)	42,523	-	48,593	-
Current portion of long-term borrowings (Notes 15 and 27)	475,347	1	982,093	2
Other current liabilities (Note 4)	52,517	-	45,010	-
Total current liabilities	9,009,642	20	7,571,678	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 27)	3,414,781	8	4,974,625	12
Deferred tax liabilities (Notes 4 and 20)	644,470	2	521,597	1
Lease liabilities - non-current (Notes 4, 13 and 26)	176,331	-	189,008	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	199,187	-	263,247	1
Guarantee deposits	4,600	-	984	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	239,485	1	730,210	2
Other non-current liabilities (Note 15)	398	-	460	-
Total non-current liabilities	4,679,252	11	6,680,131	16
Total liabilities	13,688,894	31	14,251,809	34
EQUITY				
Ordinary shares	3,407,923	8	3,308,663	8
Capital surplus	5,516,470	13	5,600,568	13
Retained earnings				
Legal reserve	3,071,586	7	2,892,584	7
Unappropriated earnings	17,609,166	40	15,363,677	37
Other equity	675,140	1	396,636	1
Total equity	30,280,285	69	27,562,128	66
TOTAL	\$ 43,969,179	100	\$ 41,813,937	100

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

HIWIN TECHNOLOGIES CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 23,005,899	100	\$ 16,783,132	100
COST OF GOODS SOLD (Notes 10, 19 and 26)	<u>15,238,729</u>	<u>66</u>	<u>12,933,183</u>	<u>77</u>
GROSS PROFIT	7,767,170	34	3,849,949	23
REALIZED (UNREALIZED) GAIN (Note 4)	<u>(958,715)</u>	<u>(4)</u>	<u>117,570</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>6,808,455</u>	<u>30</u>	<u>3,967,519</u>	<u>24</u>
OPERATING EXPENSES (Notes 19 and 26)				
Selling and marketing expenses	363,754	2	267,447	2
General and administrative expenses	947,127	4	723,872	4
Research and development expenses	<u>795,556</u>	<u>3</u>	<u>800,216</u>	<u>5</u>
Total operating expenses	<u>2,106,437</u>	<u>9</u>	<u>1,791,535</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>4,702,018</u>	<u>21</u>	<u>2,175,984</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	52,370	-	16,582	-
Finance costs (Notes 4, 19 and 26)	(68,421)	-	(118,576)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	(74,078)	-	(288,024)	(2)
Interest income (Notes 4 and 26)	9,786	-	7,925	-
Gain from bargain purchase (Note 4)	-	-	46,271	-
Other income (Note 26)	118,643	-	101,013	1
Other expenses	(850)	-	(643)	-
Gain (loss) on disposal of property, plant and equipment (Note 4)	(47,561)	-	334,842	2
Net foreign exchange gain (loss) (Notes 4 and 29)	(156,029)	(1)	167,947	1
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	<u>(4,492)</u>	<u>-</u>	<u>(46,990)</u>	<u>-</u>
Total non-operating income and expenses	<u>(170,632)</u>	<u>(1)</u>	<u>220,347</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	4,531,386	20	2,396,331	14
INCOME TAX EXPENSE (Notes 4 and 20)	<u>999,156</u>	<u>4</u>	<u>466,601</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>3,532,230</u>	<u>16</u>	<u>1,929,730</u>	<u>11</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 8,230	-	\$ (74,368)	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	541,302	2	29,031	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(2,372)	-	45,464	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>(1,646)</u>	<u>-</u>	<u>14,874</u>	<u>-</u>
	<u>545,514</u>	<u>2</u>	<u>15,001</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(327,790)	(1)	90,880	1
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(566)	-	66	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>65,558</u>	<u>-</u>	<u>(18,176)</u>	<u>-</u>
	<u>(262,798)</u>	<u>(1)</u>	<u>72,770</u>	<u>1</u>
Other comprehensive income for the year, net of income tax	<u>282,716</u>	<u>1</u>	<u>87,771</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,814,946</u>	<u>17</u>	<u>\$ 2,017,501</u>	<u>12</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 10.36</u>		<u>\$ 5.87</u>	
Diluted	<u>\$ 10.33</u>		<u>\$ 5.86</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

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

	Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18 and 23)		Other Equity (Note 4)		Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 3,095,789	\$ 3,236,274	\$ 2,706,052	\$ 14,410,303	\$ (409,634)	\$ 704,469	\$ 23,743,253
Appropriation of 2019 earnings							
Legal reserve	-	-	186,532	(186,532)	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	(557,242)	-	-	(557,242)
Share dividends - NT\$0.3 per share	92,874	-	-	(92,874)	-	-	-
	92,874	-	186,532	(836,648)	-	-	(557,242)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	2,335,000
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	(125,678)	-	-	(125,678)
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	84,098
Share-based payments	-	65,196	-	-	-	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	42,136	-	(42,136)	-
Net profit for the year ended December 31, 2020	-	-	-	1,929,730	-	-	1,929,730
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	(56,166)	72,770	71,167	87,771
Total comprehensive income for the year ended December 31, 2020	-	-	-	1,873,564	72,770	71,167	2,017,501
BALANCE AT DECEMBER 31, 2020	3,308,663	5,600,568	2,892,584	15,363,677	(336,864)	733,500	27,562,128
Appropriation of 2020 earnings							
Legal reserve	-	-	179,002	(179,002)	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	(661,733)	-	-	(661,733)
Share dividends - NT\$0.3 per share	99,260	-	-	(99,260)	-	-	-
	99,260	-	179,002	(939,995)	-	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	(84,098)	-	(350,958)	-	-	(435,056)
Net profit for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716
Total comprehensive income for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946
BALANCE AT DECEMBER 31, 2021	\$ 3,407,923	\$ 5,516,470	\$ 3,071,586	\$ 17,609,166	\$ (599,662)	\$ 1,274,802	\$ 30,280,285

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

HIWIN TECHNOLOGIES CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,531,386	\$ 2,396,331
Adjustments for:		
Depreciation expenses	1,649,169	1,727,817
Amortization expenses	3,892	16,667
Expected credit loss recognized (reversed) on trade receivables	863	(4,952)
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(315)	7,199
Finance costs	68,421	118,576
Interest income	(9,786)	(7,925)
Dividend income	(31,499)	(35,495)
Compensation costs of employees' share-based payments	-	65,196
Share of profit or loss of subsidiaries and associates	74,078	288,024
Loss (gain) on disposal of property, plant and equipment	47,561	(334,842)
Impairment loss recognized on non-financial assets	95,654	89,000
Unrealized (realized) gains	958,715	(117,570)
Unrealized foreign currency exchange loss (gain), net	27,560	(94,428)
Gain from bargain purchase	-	(46,271)
Others	(956)	(1,858)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(7,199)	2,555
Notes receivable	(122,563)	724
Trade receivables	(222,367)	(1,390,155)
Inventories	(891,445)	1,462,971
Other current assets	206,912	(19,911)
Contract liabilities	78,552	(11,776)
Notes payable	(7,097)	181
Trade payables	622,743	1,010,080
Other payables	470,285	123,737
Other current liabilities	7,507	(1,487)
Net defined benefit liabilities	(55,830)	(51,275)
Cash generated from operations	7,494,241	5,191,113
Interest received	9,758	7,911
Dividend received	31,499	35,495
Interest paid	(69,184)	(126,738)
Income taxes paid	(267,297)	(96,869)
Net cash generated from operating activities	<u>7,199,017</u>	<u>5,010,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(12,606)
Proceeds from liquidation of financial assets at fair value through other comprehensive income	19,256	-

(Continued)

HIWIN TECHNOLOGIES CORPORATION

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

	2021	2020
Return of capital surplus from financial assets at fair value through other comprehensive income	\$ -	\$ 120,477
Net cash outflow on acquisition of subsidiaries (Note 22)	-	(66,300)
Payments for property, plant and equipment	(538,794)	(610,135)
Proceeds from disposal of property, plant and equipment	1,610	674,477
Decrease (increase) in refundable deposits	(5,024)	6,622
Decrease (increase) in other non-current assets	124,851	(125,645)
Increase in prepayments for machinery and equipment	<u>(680,433)</u>	<u>(418,368)</u>
Net cash used in investing activities	<u>(1,078,534)</u>	<u>(431,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(40,000)	(4,510,000)
Proceeds from long-term borrowings	200,000	223,500
Repayments of long-term borrowings	(2,266,701)	(1,565,479)
Increase in guarantee deposit received	3,616	884
Repayment of the principal portion of lease liabilities	(61,275)	(61,107)
Dividends paid	(661,733)	(557,242)
Proceeds from issuance of ordinary shares	-	2,335,000
Acquisition of additional shares of subsidiary	<u>(2,374,814)</u>	<u>(200,000)</u>
Net cash used in financing activities	<u>(5,200,907)</u>	<u>(4,334,444)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	919,576	244,990
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,333,122</u>	<u>1,088,132</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,252,698</u>	<u>\$ 1,333,122</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company.

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries, associates and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

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

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

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

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

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

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

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

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

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

h. Property, plant, and equipment

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property, plant, and equipment, right-of-use assets and intangible assets

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

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

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

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

1. Provision

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

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

m. Revenue recognition

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

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

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

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

n. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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

o. Borrowing costs

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

p. Government grants

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period

in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

r. Share-based payment arrangements

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 1,167	\$ 1,631
Checking accounts and demand deposits	1,885,766	1,092,945
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>365,765</u>	<u>238,546</u>
	<u>\$ 2,252,698</u>	<u>\$ 1,333,122</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.35	0.00-0.30
Time deposits (investments with original maturities of 3 months or less)	1.22-2.66	1.10-2.40

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	RMB165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NTD105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NTD361,257
Sell	USD/NTD	2021.1.26-2021.3.29	USD1,700/NTD47,862

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

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

	<u>December 31</u>	
	2021	2020
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 1,076,401	\$ 860,140
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	386,799	45,017
Taichung International Country Club	3,080	2,650
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	36,427
	<u>\$ 1,466,280</u>	<u>\$ 944,234</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company'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 Company. In August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated to return of US\$804 thousand in August 2021.

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 174,583	\$ 52,020
Less: Allowance for impairment loss	<u>(1,746)</u>	<u>(520)</u>
	<u>\$ 172,837</u>	<u>\$ 51,500</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 1,862,386	\$ 3,917,064
Less: Allowance for impairment loss	<u>(94)</u>	<u>(457)</u>
	<u>\$ 1,862,292</u>	<u>\$ 3,916,607</u>

a. Notes receivable

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

	<u>December 31</u>	
	2021	2020
Not past due	\$ 174,583	\$ 52,020
Past due	<u>-</u>	<u>-</u>
	<u>\$ 174,583</u>	<u>\$ 52,020</u>

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

b. Trade receivables

The Company 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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 Company'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 Company's different customer base.

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2021</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 1,786,447	\$ 75,939	\$ -	\$ -	\$ 1,862,386
Loss allowance (Lifetime ECL)	<u>(18)</u>	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>(94)</u>
Amortized cost	<u>\$ 1,786,429</u>	<u>\$ 75,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,862,292</u>
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 3,586,723	\$ 327,212	\$ 3,129	\$ -	\$ 3,917,064
Loss allowance (Lifetime ECL)	<u>(36)</u>	<u>(356)</u>	<u>(65)</u>	<u>-</u>	<u>(457)</u>
Amortized cost	<u>\$ 3,586,687</u>	<u>\$ 326,856</u>	<u>\$ 3,064</u>	<u>\$ -</u>	<u>\$ 3,916,607</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2021	
	Notes Receivable	Trade Receivables
Balance at January 1, 2021	\$ 520	\$ 457
Net remeasurement of loss allowance	<u>1,226</u>	<u>(363)</u>
Balance at December 31, 2021	<u>\$ 1,746</u>	<u>\$ 94</u>

	For the Year Ended December 31, 2020	
	Notes Receivable	Trade Receivables
Balance at January 1, 2020	\$ 527	\$ 5,402
Net remeasurement of loss allowance	<u>(7)</u>	<u>(4,945)</u>
Balance at December 31, 2020	<u>\$ 520</u>	<u>\$ 457</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 2,893	\$ 2,017
Finished goods	761,794	353,127
Work in process	1,475,002	1,236,217
Raw materials and supplies	2,128,236	1,880,914
Inventory in transit	<u>313,350</u>	<u>203,634</u>
	<u>\$ 4,681,275</u>	<u>\$ 3,675,909</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$15,238,729 thousand and \$12,933,183 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$95,654 thousand and \$89,000 thousand, respectively, and unallocated fixed overhead of \$120,420 thousand and \$142,866 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 5,128,872	\$ 5,076,047
Investments in associates	<u>184,717</u>	<u>152,031</u>
	<u>\$ 5,313,589</u>	<u>\$ 5,228,078</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
Hiwin GmbH (“Hiwin Germany”)	\$ 1,683,515	\$ 1,934,803
Hiwin Corporation, U.S.A. (“Hiwin USA”)	715,336	648,513
Hiwin Corporation, Japan (“Hiwin Japan”)	44,350	39,300
Eterbright Solar Corporation (“Eterbright”)	(123,039)	(643,793)
Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	19,104	(885)
Hiwin Corporation (“Hiwin Korea”)	(66,630)	(85,532)
Hiwin Technologies (China) Corporation (“Hiwin China”)	1,826,457	1,798,349
Matrix Precision Co., Ltd. (“Matrix Precision”)	384,280	95,313
Hiwin Healthcare Corp.	2,585	2,706
Hiwin S.R.L. (“Hiwin Italy”)	(49,816)	88,729
Matrix Machine Tool (Coventry) Limited (“Matrix”)	273,715	261,614
Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	<u>179,530</u>	<u>206,720</u>
	4,889,387	4,345,837
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	<u>239,485</u>	<u>730,210</u>
	<u>\$ 5,128,872</u>	<u>\$ 5,076,047</u>

	Proportion of Ownership and Voting Rights	
	2021	2020
<u>Name of subsidiary</u>		
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright (Note 23)	85%	74%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision (Note 23)	50%	51%
Hiwin Healthcare Corp.	100%	100%
Hiwin Italy	100%	100%
Matrix	100%	100%
Hiwin Schweiz (Note 23)	81%	81%

Refer to Note 23 to the consolidated financial statements for the year ended December 31, 2021, for the disclosure of the Company’s acquisition of Hiwin Schweiz.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries’ financial statements which have been audited for the same years.

b. Investments in associates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates that are not individually material	\$ <u>184,717</u>	\$ <u>152,031</u>
	For the Year Ended December 31	
	<u>2021</u>	<u>2020</u>
The Company's share of:		
Profit for the year	\$ 29,745	\$ 19,594
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	\$ <u>29,745</u>	\$ <u>19,594</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were calculated based on the financial statements which have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	<u>For the Year Ended December 31, 2021</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassified Amount</u>	<u>Ending Balance</u>
<u>Cost</u>					
Land	\$ 3,890,629	\$ -	\$ -	\$ -	\$ 3,890,629
Buildings and improvements	11,321,802	21,773	(92)	126,269	11,469,752
Machinery and equipment	11,812,851	209,199	(1,219,674)	964,764	11,767,140
Transportation equipment	60,682	1,857	(11,346)	30,009	81,202
Miscellaneous equipment	1,851,021	83,226	(265,249)	12,221	1,681,219
Construction in progress	<u>34,444</u>	<u>217,193</u>	<u>-</u>	<u>(111,061)</u>	<u>140,576</u>
	<u>28,971,429</u>	<u>\$ 533,248</u>	<u>\$ (1,496,361)</u>	<u>\$ 1,022,202</u>	<u>29,030,518</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,530,504	\$ 240,030	\$ (92)	\$ -	1,770,442
Machinery and equipment	4,736,599	1,344,779	(1,177,218)	-	4,904,160
Transportation equipment	31,109	10,570	(11,346)	-	30,333
Miscellaneous equipment	<u>1,043,455</u>	<u>200,696</u>	<u>(258,534)</u>	<u>-</u>	<u>985,617</u>
	<u>7,341,667</u>	<u>\$ 1,796,075</u>	<u>\$ (1,447,190)</u>	<u>\$ -</u>	<u>7,690,552</u>
	<u>\$ 21,629,762</u>				<u>\$ 21,339,966</u>

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,971,527	\$ -	\$ (80,898)	\$ -	\$ 3,890,629
Buildings and improvements	11,095,696	33,013	(388,419)	581,512	11,321,802
Machinery and equipment	12,703,010	216,219	(2,004,236)	897,858	11,812,851
Transportation equipment	64,439	-	(3,757)	-	60,682
Miscellaneous equipment	1,803,611	70,357	(55,606)	32,659	1,851,021
Construction in progress	<u>327,616</u>	<u>288,340</u>	<u>-</u>	<u>(581,512)</u>	<u>34,444</u>
	<u>29,965,899</u>	<u>\$ 607,929</u>	<u>\$ (2,532,916)</u>	<u>\$ 930,517</u>	<u>28,971,429</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,436,753	\$ 235,887	\$ (142,136)	\$ -	1,530,504
Machinery and equipment	5,294,576	1,439,721	(1,997,698)	-	4,736,599
Transportation equipment	25,063	9,803	(3,757)	-	31,109
Miscellaneous equipment	<u>872,681</u>	<u>220,464</u>	<u>(49,690)</u>	<u>-</u>	<u>1,043,455</u>
	<u>7,629,073</u>	<u>\$ 1,905,875</u>	<u>\$ (2,193,281)</u>	<u>\$ -</u>	<u>7,341,667</u>
	<u>\$ 22,336,826</u>				<u>\$ 21,629,762</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	28-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	5-10 years
Miscellaneous equipment	2-15 years

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 122,323	\$ 128,761
Buildings	<u>95,496</u>	<u>108,120</u>
	<u>\$ 217,819</u>	<u>\$ 236,881</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	\$ <u>44,071</u>	\$ <u>86,246</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,155	\$ 8,048
Buildings	<u>54,346</u>	<u>54,446</u>
	<u>\$ 62,501</u>	<u>\$ 62,494</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ <u>42,523</u>	\$ <u>48,593</u>
Non-current	<u>\$ 176,331</u>	<u>\$ 189,008</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.45%	1.45%
Buildings	1.45%	1.45%

c. Material lease-in activities and terms

The Company leases certain land and buildings for the use of plants and offices with lease terms of 2 to 20 years. The lease contract for land specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ <u>604</u>	\$ <u>345</u>
Expenses relating to low-value asset leases	<u>\$ 2,242</u>	<u>\$ 2,277</u>
Total cash outflow for leases	<u>\$ (67,603)</u>	<u>\$ (67,190)</u>

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

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

The Date of Initial Cost Contribution	December 31	
	2021	2020
Within 1 year	\$ 505,447	\$ 320,821
1-2 years	148,769	350,072
2-5 years	643,629	1,021,724
More than 5 years	<u>74,354</u>	<u>21,351</u>
	<u>\$ 1,372,199</u>	<u>\$ 1,713,968</u>

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

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings</u> (Note 27)		
Loans for export sales	\$ 940,000	\$ 710,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,000,000</u>	<u>1,270,000</u>
	<u>\$ 1,940,000</u>	<u>\$ 1,980,000</u>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	0.61	0.51
Line of credit borrowings	0.71-0.80	0.77-0.88

b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings</u> (Note 27)		
Secured loans	\$ 3,687,269	\$ 5,753,873
<u>Unsecured borrowings</u>		
Unsecured loans	<u>202,859</u>	<u>202,845</u>
	3,890,128	5,956,718
Less: Current portion	<u>(475,347)</u>	<u>(982,093)</u>
Long-term borrowings	<u>\$ 3,414,781</u>	<u>\$ 4,974,625</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.36-1.17	0.36-1.49
Unsecured loans	0.70-0.93	0.70-0.89

In August 2019, the Company 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 borrowing. As of December 31, 2021, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Company recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

16. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Payables for salaries and bonuses	\$ 772,800	\$ 566,076
Payables for compensation of employees	297,411	154,385
Payables for remuneration of directors	148,706	77,193
Payables for annual leave	127,342	106,976
Payables for purchases of building and equipment	15,993	21,539
Others	<u>252,693</u>	<u>224,911</u>
	<u>\$ 1,614,945</u>	<u>\$ 1,151,080</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 353,684	\$ 373,605
Fair value of plan assets	<u>(154,497)</u>	<u>(110,358)</u>
Net defined benefit liabilities	<u>\$ 199,187</u>	<u>\$ 263,247</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 373,605</u>	<u>\$ (110,358)</u>	<u>\$ 263,247</u>
Service cost			
Current service cost	1,963	-	1,963
Past service cost	(411)	-	(411)
Net interest expense (income)	<u>1,293</u>	<u>(382)</u>	<u>911</u>
Recognized in profit or loss	<u>2,845</u>	<u>(382)</u>	<u>2,463</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,691)	(1,691)
Actuarial loss - changes in demographic assumptions	1,180	-	1,180
Actuarial gain - changes in financial assumptions	(13,040)	-	(13,040)
Actuarial loss - experience adjustments	<u>5,321</u>	<u>-</u>	<u>5,321</u>
Recognized in other comprehensive income	<u>(6,539)</u>	<u>(1,691)</u>	<u>(8,230)</u>
Contributions from the employer	-	(58,293)	(58,293)
Benefits paid	<u>(16,227)</u>	<u>16,227</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 353,684</u>	<u>\$ (154,497)</u>	<u>\$ 199,187</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 316,274	\$ (76,120)	\$ 240,154
Service cost			
Current service cost	1,772	-	1,772
Past service cost	(49)	-	(49)
Net interest expense (income)	<u>2,305</u>	<u>(522)</u>	<u>1,783</u>
Recognized in profit or loss	<u>4,028</u>	<u>(522)</u>	<u>3,506</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,843)	(2,843)
Actuarial loss - changes in demographic assumptions	324	-	324
Actuarial loss - changes in financial assumptions	15,793	-	15,793
Actuarial loss - experience adjustments	<u>61,094</u>	<u>-</u>	<u>61,094</u>
Recognized in other comprehensive income	<u>77,211</u>	<u>(2,843)</u>	<u>74,368</u>
Contributions from the employer	-	(54,781)	(54,781)
Benefits paid	<u>(23,908)</u>	<u>23,908</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 373,605</u>	<u>\$ (110,358)</u>	<u>\$ 263,247</u>

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

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

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

	December 31	
	2021	2020
Discount rates	0.70%	0.35%
Expected rates of salary increase	2.00%	2.00%
Turnover rate	0.68%	0.90%

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

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

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

	<u>December 31</u>	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 5,894</u>	<u>\$ 5,916</u>
Average duration of the defined benefit obligation	10 years	10 years

18. EQUITY

a. Ordinary shares

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

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

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

According to the Company Act, the issuance of ordinary shares for cash shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS2 "Share-based Payment", the Company recognized salary expense and share premium in the amount of \$65,196 thousand in 2020.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 5,509,020	\$ 5,509,020
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	-	84,098
Invalid employee shares	<u>7,450</u>	<u>7,450</u>
	<u>\$ 5,516,470</u>	<u>\$ 5,600,568</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company 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 Company'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 Company'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 Company'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 19-c.

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

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

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

The appropriations of earnings for 2021 had been proposed by the Corporation's board of directors on February 25, 2022. The appropriations and dividends per share were as follows:

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

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

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 64,939	\$ 115,115
Interest on lease liabilities	<u>3,482</u>	<u>3,461</u>
	<u>\$ 68,421</u>	<u>\$ 118,576</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	\$ 5,769	\$ 13,568
Capitalization rates (%)	1.10-1.20	1.08-1.45

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits			
Salary	\$ 3,268,443	\$ 997,747	\$ 4,266,190
Labor and health insurance	286,431	70,895	357,326
Post-employment benefits			
Defined contribution plans	122,811	32,951	155,762
Defined benefit plans (Note 17)	2,276	187	2,463
Remuneration to directors	-	150,146	150,146
Other employee benefits	138,004	32,086	170,090
Depreciation expenses	1,453,971	195,198	1,649,169
Amortization expenses	2,847	1,045	3,892
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits			
Salary	2,406,155	812,537	3,218,692
Labor and health insurance	205,526	68,257	273,783
Post-employment benefits			
Defined contribution plans	86,313	33,481	119,794
Defined benefit plans (Note 17)	3,229	277	3,506
Equity-settled share-based payments	38,303	26,893	65,196
Remuneration to directors	-	78,633	78,633
Other employee benefits	119,888	30,872	150,760
Depreciation expenses	1,542,089	185,728	1,727,817
Amortization expenses	14,660	2,007	16,667

As of 2021 and 2020, the Company had an average of 4,766 and 4,564 employees, respectively. There were 6 directors who did not serve concurrently as employees for both years. The headcounts were based on those used in the calculation of employee benefit expense.

As of 2021 and 2020, the average of employee benefits expense was \$1,040 thousand and \$841 thousand, respectively; as of 2021 and 2020, the average of employee salaries was \$896 thousand and \$706 thousand, respectively, and the change in the average employee salaries was 27%.

The Company did not have any supervisors in 2020 and 2021; therefore, there is no remuneration for supervisors.

The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of equal pay for equal work and retaining employees, all assessments are taken into consideration. Through new assessments, quarterly assessments, year-end assessments, and project assessments, the Company encourages and rewards the contributions of outstanding employees. Payment of different bonuses is also a key feature of the reward scheme; for example, the lifetime premium system, which is the new technology developed by employees to make more profits. The Company will regularly pay bonuses equivalent to the authorization fee to employees, so that employees and the Company can share their achievements.

In addition, the managers of the Company are regarded as ordinary employees receiving salaries, and various bonuses, dividends and benefits are paid according to the operation and profit status, taking into account the Company's operating results and the scope of management and responsibility of each manager in the Company. The condition and the results of the annual performance evaluation are given reasonable remuneration; the policy for remuneration of managers is based on the Company's salary scale, salary treatment method and the scope of rights and responsibilities of the position in the Company and the contribution to the Company's operating performance for the payment of dividends, year-end bonuses and other remuneration.

The Company sets the remuneration procedures for directors, which is based on director's performance evaluation and remuneration system, board performance evaluation method and manager's performance evaluation and bonus system as the basis of evaluation; In addition to the Company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the Company which pays reasonable remuneration; the remuneration of the general manager and deputy general manager is based on salary and various treatment procedures and takes into account the relevance of the manager's performance and the Company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Company's sustainable operation and risk control measures.

c. Compensation of employees and remuneration of directors

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

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

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

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

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

20. INCOME TAXES

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 1,070,862	\$ 214,243
Income tax of unappropriated earnings	28,293	29,113
Land value increment tax	-	34,729
Adjustments for prior years	4,168	42,114
Deferred tax		
In respect of the current year	<u>(104,167)</u>	<u>146,402</u>
Income tax expense recognized in profit or loss	<u>\$ 999,156</u>	<u>\$ 466,601</u>

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

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 906,277	\$ 479,266
Non-deductible expenses in determining taxable income	420	634
Tax-exempt income	-	(97,422)
Others	(8,740)	795
Income tax on unappropriated earnings	48,785	66,690
Investment tax credits used	<u>(108,461)</u>	<u>(139,498)</u>
Current tax	838,281	310,465
Land value increment tax	-	34,729
Unrecognized deductible temporary differences	156,707	79,293
Adjustments for prior years' tax	<u>4,168</u>	<u>42,114</u>
Income tax expense recognized in profit or loss	<u>\$ 999,156</u>	<u>\$ 466,601</u>

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

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

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

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

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 97,960	\$ 191,743	\$ -	\$ 289,703
Defined benefit obligations	24,723	-	(1,646)	23,077
Allowance for inventory devaluation	63,400	19,131	-	82,531
Impairment loss on financial assets	4,071	-	-	4,071
Payable for annual leave	21,395	4,073	-	25,468
Financial liabilities at FVTPL	1,440	(1,440)	-	-
Provisions	3,192	1,361	-	4,553
Exchange difference on foreign operations	84,280	-	65,558	149,838
Unrealized loss on foreign currency exchange	-	5,330	-	5,330
Others	<u>31</u>	<u>6,842</u>	<u>-</u>	<u>6,873</u>
	<u>\$ 300,492</u>	<u>\$ 227,040</u>	<u>\$ 63,912</u>	<u>\$ 591,444</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 491,005	\$ 144,148	\$ -	\$ 635,153
Gain from bargain purchase	9,254	-	-	9,254
Unrealized gain on foreign currency exchange	21,338	(21,338)	-	-
Financial assets at FVTPL	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
	<u>\$ 521,597</u>	<u>\$ 122,873</u>	<u>\$ -</u>	<u>\$ 644,470</u>

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 121,474	\$ (23,514)	\$ -	\$ 97,960
Defined benefit obligations	17,417	(7,568)	14,874	24,723
Allowance for inventory devaluation	45,600	17,800	-	63,400
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Payable for annual leave	16,540	4,855	-	21,395
Financial liabilities at FVTPL	-	1,440	-	1,440
Provisions	3,071	121	-	3,192
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Unrealized loss on foreign currency exchange	14,705	(14,705)	-	-
Others	<u>32</u>	<u>(1)</u>	<u>-</u>	<u>31</u>
	<u>\$ 328,317</u>	<u>\$ (24,523)</u>	<u>\$ (3,302)</u>	<u>\$ 300,492</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 399,207	\$ 91,798	\$ -	\$ 491,005
Gain from bargain purchase	-	9,254	-	9,254
Unrealized gain on foreign currency exchange	-	21,338	-	21,338
Financial assets at FVTPL	<u>511</u>	<u>(511)</u>	<u>-</u>	<u>-</u>
	<u>\$ 399,718</u>	<u>\$ 121,879</u>	<u>\$ -</u>	<u>\$ 521,597</u>

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

	December 31	
	2021	2020
Investment loss	<u>\$ 3,090,137</u>	<u>\$ 2,306,601</u>

- e. Income tax assessments

The tax returns of the Company through 2019 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net Profit	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year	\$ 3,532,230	340,792	<u>\$ 10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,053</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$ 10.33</u>
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year	\$ 1,929,730	328,770	<u>\$ 5.87</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>580</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 1,929,730</u>	<u>329,350</u>	<u>\$ 5.86</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 23, 2021. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2020 were as follows:

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

Since the Company offered to settle compensation paid to employees in cash or shares, the Company 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.

22. ACQUISITION OF SUBSIDIARY WITH OBTAINED CONTROL

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

Hiwin Schweiz was acquired by the Company in order to expand the development in the field of drive control, enhance its competitive advantage and increase the scale of operations. For the details about the acquisition of Hiwin Schweiz, refer to Note 23 to the consolidated financial statements for the year ended December 31, 2021.

23. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On June 24, 2021 and December 30, 2021, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

On January 8, 2021 and May 10, 2021, the Company 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 \$1,959 thousand in capital surplus.

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

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

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

24. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Company has to maintain an appropriate amount of capital. Therefore, the Company 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 Company 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 Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,895	\$ 128
Financial assets at amortized cost (1)	8,702,433	7,467,411
Financial assets at FVTOCI		
Equity instruments	1,466,280	944,234
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	2,580	7,327
Financial liabilities at amortized cost (2)	11,137,243	12,166,775

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

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

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities and borrowings. The Company's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company. 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 Company 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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Company 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 Company 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 Company's net investments in foreign operations are held for strategic purposes, they are not hedged.

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$54,065 thousand and \$52,143 thousand, respectively.

b) Interest rate risk

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

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

	December 31	
	2021	2020
Fair value interest rate risk		
Deposits in bank	\$ 365,765	\$ 238,546
Lease liabilities	218,854	237,601
		(Continued)

	December 31	
	2021	2020
Cash flow interest rate risk		
Deposits in bank	\$ 1,662,010	\$ 1,001,104
Short-term borrowings	1,940,000	1,980,000
Long-term borrowings	3,890,128	5,956,718
		(Concluded)

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease 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 Company's post-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$33,345 thousand and \$55,485 thousand, respectively.

2) Credit risk

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

The counterparties of the Company'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 Company's credit risk by geographical locations was mainly concentrated in Asia, which accounted for 65% and 85% of the total trade receivables as of December 31, 2021 and 2020, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company had available unutilized bank loan facilities of \$8,171,041 thousand and \$8,740,930 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 5,302,515	\$ -	\$ -
Lease liabilities	46,101	94,510	95,142
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,519,187</u>
	<u>\$ 7,763,963</u>	<u>\$ 1,990,104</u>	<u>\$ 1,614,329</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,229,073	\$ -	\$ -
Lease liabilities	60,530	99,629	110,207
Variable interest rate liabilities	<u>2,962,093</u>	<u>2,657,422</u>	<u>2,317,203</u>
	<u>\$ 7,251,696</u>	<u>\$ 2,757,051</u>	<u>\$ 2,427,410</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 7,327</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2021</u>					
Lease liabilities	\$ 46,101	\$ 94,510	\$ 49,485	\$ 45,657	\$ -
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,196,552</u>	<u>322,635</u>	<u>-</u>
	<u>\$ 2,461,448</u>	<u>\$ 1,990,104</u>	<u>\$ 1,246,037</u>	<u>\$ 368,292</u>	<u>\$ -</u>
<u>December 31, 2020</u>					
Lease liabilities	\$ 60,530	\$ 99,629	\$ 55,763	\$ 45,370	\$ 9,074
Variable interest rate liabilities	<u>2,962,093</u>	<u>2,657,422</u>	<u>1,680,554</u>	<u>621,482</u>	<u>15,167</u>
	<u>\$ 3,022,623</u>	<u>\$ 2,757,051</u>	<u>\$ 1,736,317</u>	<u>\$ 666,852</u>	<u>\$ 24,241</u>

26. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hiwin Germany	Subsidiary
Hiwin USA	Subsidiary
Hiwin Japan	Subsidiary
Eterbright	Subsidiary
Hiwin Singapore	Subsidiary
Hiwin Korea	Subsidiary
Hiwin China	Subsidiary
Matrix Precision	Subsidiary
Hiwin Healthcare Corp.	Subsidiary
Hiwin Italy	Subsidiary
Matrix	Subsidiary
Hiwin Schweiz	Subsidiary
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

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Sales of goods		
Hiwin China	\$ 4,323,908	\$ 2,496,837
Subsidiaries	5,199,382	2,603,847
Other related parties	<u>103,109</u>	<u>86,739</u>
	<u>\$ 9,626,399</u>	<u>\$ 5,187,423</u>

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

	For the Year Ended December 31	
	2021	2020
2) Purchases of goods		
Other related parties	\$ 172,926	\$ 46,509
Subsidiaries	<u>19,584</u>	<u>8,451</u>
	<u>\$ 192,510</u>	<u>\$ 54,960</u>

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

3) Other operating transactions

	For the Year Ended December 31	
	2021	2020
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 2,829</u>	<u>\$ 375</u>
Non-operating income - other income		
Subsidiaries	\$ 57,292	\$ 40,384
Other related parties	<u>413</u>	<u>274</u>
	<u>\$ 57,705</u>	<u>\$ 40,658</u>
Manufacturing and operating expenses		
Subsidiaries	\$ 9,619	\$ 3,214
Other related parties	<u>8,656</u>	<u>3,074</u>
	<u>\$ 18,275</u>	<u>\$ 6,288</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 13,000</u>	<u>\$ 8,400</u>
	December 31	
	2021	2020

4) Trade receivables

Hiwin China	\$ 1,686,443	\$ 981,980
Hiwin Germany	976,788	265,352
Hiwin Italy	713,740	314,169
Subsidiaries	<u>1,019,336</u>	<u>591,390</u>
	<u>\$ 4,396,307</u>	<u>\$ 2,152,891</u>

5) Other receivables (classified as other current assets)

Subsidiaries	<u>\$ 5,814</u>	<u>\$ 4,258</u>
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	December 31	
	2021	2020
6) Prepayments for investments (classified as other non-current assets)		
Matrix Precision	\$ <u> -</u>	\$ <u> 124,850</u>
7) Trade payables		
Other related parties	\$ 28,256	\$ 5,872
Subsidiaries	<u> 9,747</u>	<u> 6,525</u>
	<u>\$ 38,003</u>	<u>\$ 12,397</u>
8) Other payables		
Other related parties	\$ 659	\$ 1,036
Subsidiaries	<u> 191</u>	<u> 4,121</u>
	<u>\$ 850</u>	<u>\$ 5,157</u>
9) Prepayments for machinery and equipment		
Subsidiaries	<u>\$ 44,479</u>	<u>\$ 76,070</u>

c. Loans to related parties

	December 31	
	2021	2020
<u>Other receivables (classified as other current assets)</u>		
Hiwin Japan	\$ 32,187	\$ 224,911
Hiwin Italy	<u> -</u>	<u> 31,269</u>
	<u>\$ 32,187</u>	<u>\$ 256,180</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Interest income</u>		
Subsidiaries	<u>\$ 2,139</u>	<u>\$ 4,883</u>

The Company provided Hiwin Japan and Hiwin Italy with short-term loans at rates comparable to market interest rates.

d. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 28,658	\$ 46,971
Other related parties	<u>2,100</u>	<u>8,749</u>
	<u>\$ 30,758</u>	<u>\$ 55,720</u>

e. Lease arrangements

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

	For the Year Ended December 31	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Other related parties	<u>\$ 18,533</u>	<u>\$ -</u>
	December 31	
	2021	2020

Lease liabilities

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

Finance costs

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

Related Party Category	Line Item	For the Year Ended December 31, 2020		
		Number of Shares (%)	Underlying Assets	Purchase Price
Hiwin Investment Corporation	Investment accounted for using the equity method	31	Hiwin Schweiz	<u>\$ 200,000</u>

g. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries as of December 31, 2021, refer to Table 2.

h. Acquisition of additional interests in related parties

	For the Year Ended December 31	
	2021	2020
Eterbright	\$ 1,740,112	\$ -
Matrix Precision	419,420	-
Subsidiaries	<u>215,282</u>	<u>-</u>
	<u>\$ 2,374,814</u>	<u>\$ -</u>

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 247,582	\$ 163,073
Post-employment benefits	542	539
Termination benefits	-	1,060
Share-based payments	<u>-</u>	<u>1,087</u>
	<u>\$ 248,124</u>	<u>\$ 165,759</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2021	2020
Property, plant and equipment	<u>\$ 15,649,930</u>	<u>\$ 13,920,763</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$228,832 thousand and \$186,454 thousand, respectively.
- b. As of December 31, 2021 and 2020, commitment for acquisition of property, plant and equipment amounted to \$1,001,422 thousand and \$330,561 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 34,352	27.680	\$ 950,861	\$ 19,134	28.480	\$ 544,950
EUR	64,184	31.32	2,010,258	25,191	35.02	882,175
JPY	2,904,559	0.2405	698,546	2,073,446	0.2763	572,893
RMB	812,416	4.344	3,529,135	1,096,141	4.377	4,797,810
Non-monetary items						
USD	29,859	27.680	826,491	25,479	28.480	725,654
EUR	76,481	31.32	2,395,395	65,139	35.02	2,281,179
ILS	16,961	8.955	151,888	13,639	8.740	119,202
RMB	501,930	4.344	2,180,386	429,927	4.377	1,881,788
JPY	495,621	0.2405	119,197	327,492	0.2763	90,486
GBP	6,134	37.30	228,787	5,723	38.90	222,623
CHF	7,886	30.18	237,999	6,306	32.31	203,745
SGD	2,004	20.46	40,993	467	21.56	10,065
<u>Financial liabilities</u>						
Monetary items						
USD	6,593	27.680	182,495	2,775	28.480	79,029
EUR	3,197	31.32	100,143	1,461	35.02	51,156
JPY	561,200	0.2405	134,969	496,900	0.2763	137,293
RMB	3,014	4.344	13,093	2,861	4.377	12,524
Non-monetary items						
KRW	984,072	0.0235	23,126	2,511,016	0.0264	66,391

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.009	\$ (10,499)	29.549	\$ (25,080)
JPY	0.2554	(49,666)	0.2769	7,373
EUR	33.16	(99,892)	33.71	53,184
RMB	4.341	<u>6,535</u>	4.282	<u>132,186</u>
		<u>\$ (153,522)</u>		<u>\$ 167,663</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 or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Trading in derivative instruments. (Notes 7 and 25)
 - 10) 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. (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed	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 Company	Hiwin Japan	Other receivables from related parties	Yes	\$ 254,500	\$ 32,187	\$ 32,187	1.165%	1	Sales \$765,313	-	\$ -	-	\$ -	\$ 4,542,043	\$ 9,084,086
0	The Company	Hiwin Italy	Other receivables from related parties	Yes	52,902	-	-	1.49%	1	Sales 1,057,657	-	-	-	-	4,542,043	9,084,086

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Company based on its latest financial statements. For financing provided by the Company 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 Company's accumulated financing provided should not exceed 30% of the Company's net assets as shown in its latest financial statements.

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Matrix	Subsidiary	\$ 3,028,029	\$ 78,700 (GBP 2,000)	\$ 74,600 (GBP 2,000)	\$ 18,650 (GBP 500)	\$ -	0.2%	\$ 10,598,100	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	3,028,029	507,600 (EUR 15,000)	469,800 (EUR 15,000)	257,674 (EUR 8,227)	-	1.6%	10,598,100	Yes	-	-
0	The Company	Eterbright	Subsidiary	3,028,029	2,250,000	2,175,000	639,000	-	7.2%	10,598,100	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	3,028,029	334,320 (USD 12,000)	166,080 (USD 6,000)	8,304 (USD 300)	-	0.5%	10,598,100	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	3,028,029	342,420 (USD 12,000)	332,160 (USD 12,000)	120,408 (USD 4,350)	-	1.1%	10,598,100	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	3,028,029	1,724,250 (JPY 6,690,920)	1,607,398 (JPY 6,683,568)	1,487,148 (JPY 6,183,568)	-	5.3%	10,598,100	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	3,028,029	1,100,000	1,100,000	350,000	-	3.6%	10,598,100	Yes	-	-

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

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,890	-	\$ 2,890	
	<u>Shares</u>							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,525,676	1,076,401	8	1,076,401	
	Ever Fortune.	-	Financial assets at FVTOCI - non-current	2,573,000	386,799	3	386,799	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,080	-	3,080	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount (Note 2)
The Company	Share capital	Investments accounted for using the equity method	Matrix Precision	Subsidiary	2,171,075	\$ 95,313	32,123,000	\$ 419,420	-	\$ -	\$ -	\$ -	\$ (130,453) (Note 1)	34,294,075	\$ 384,280
The Company	Share capital	Investments accounted for using the equity method	Eterbright	Subsidiary	171,449,427	(643,793)	174,011,165	1,740,112	-	-	-	-	(1,219,358) (Note 2)	345,460,592	(123,039)

Note 1: Including investment loss and other comprehensive loss accounted for using the equity method of \$(132,654) thousand, realized gross profit of \$242 thousand and an increase in net assets of \$1,959 thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

Note 2: Including investment loss accounted for using the equity method of \$(783,536) thousand, realized gross profit of \$1,193 thousand and an decrease in net assets of \$(437,015) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Yunlin Technology Factory	2021.6.28	\$ 458,000	\$ 109,920	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
Hiwin Japan	Kobe Technology Factory	2021.3.23	1,075,850 (JPY 4,033,920)	655,467 (JPY 2,566,432)	Obayashi Corporation	None	-	-	-	-	Vendor bidding	Plant construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Company	Hiwin China	Subsidiary	Sale	\$ (4,323,908)	(19%)	O/A 120 days	\$ -	-	\$ 1,686,443	26%	
	Hiwin Germany	Subsidiary	Sale	(2,123,776)	(9%)	O/A 90 days	-	-	976,788	15%	
	Hiwin Italy	Subsidiary	Sale	(1,057,657)	(5%)	O/A 180 days	-	-	713,740	11%	
	Hiwin Japan	Subsidiary	Sale	(765,313)	(3%)	O/A 150 days	-	-	568,908	9%	
	Hiwin USA	Subsidiary	Sale	(501,394)	(2%)	O/A 120 days	-	-	190,503	3%	
	Hiwin Korea	Subsidiary	Sale	(341,983)	(1%)	O/A 180 days	-	-	167,078	3%	
	Hiwin Schweiz	Subsidiary	Sale	(235,208)	(1%)	O/A 60 days	-	-	36,483	1%	
	Hiwin Singapore	Subsidiary	Sale	(150,285)	(1%)	O/A 120 days	-	-	53,803	1%	
	Hiwin Mikrosystem	Other related party	Purchase	172,926	2%	O/A 90 days	-	-	(28,256)	-	
	Hiwin Mikrosystem	Other related party	Sale	(103,109)	-	O/A 90 days	-	-	-	-	
Hiwin China	The Company	Parent company	Purchase	4,323,908	97%	O/A 120 days	-	-	(1,686,443)	(97%)	
Hiwin Germany	The Company	Parent company	Purchase	2,123,776	71%	O/A 90 days	-	-	(976,788)	(83%)	
	Hiwin Mikrosystem	Other related party	Purchase	341,860	11%	O/A 90 days	-	-	(108,618)	(9%)	
	Hiwin S.R.O.	Other related party	Sale	(195,280)	(5%)	O/A 45 days	-	-	17,532	10%	
Hiwin Italy	The Company	Parent company	Purchase	1,057,657	94%	O/A 180 days	-	-	(713,740)	(95%)	
Hiwin Japan	The Company	Parent company	Purchase	765,313	89%	O/A 150 days	-	-	(568,908)	(93%)	
Hiwin USA	The Company	Parent company	Purchase	501,394	75%	O/A 120 days	-	-	(190,503)	(84%)	
	Hiwin Mikrosystem	Other related party	Purchase	143,629	22%	O/A 90 days	-	-	(21,935)	(10%)	
Hiwin Korea	The Company	Parent company	Purchase	341,983	92%	O/A 180 days	-	-	(167,078)	(98%)	
Hiwin Schweiz	The Company	Parent company	Purchase	235,208	82%	O/A 60 days	-	-	(36,483)	(71%)	
Hiwin Singapore	The Company	Parent company	Purchase	150,285	75%	O/A 120 days	-	-	(53,803)	(75%)	

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 568,908	1.94	\$ -	-	\$ 29,250	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	34,184	-	-	-	34,184	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	976,788	3.42	-	-	275,879	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	713,740	2.06	-	-	101,600	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	406	-	-	-	406	-
	Hiwin China	Subsidiary	Trade receivables from related parties	1,686,443	3.24	-	-	790,053	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	190,503	3.50	-	-	63,368	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	167,078	2.84	-	-	62,501	-

Note : Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,683,515	\$ 326,315	\$ 326,315	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	715,336	145,238	145,238	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	817,642	62,200	100	44,350	(59,220)	(59,220)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	184,717	74,362	29,745	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	4,723,668	2,983,556	345,460,592	85	(123,039)	(1,030,113)	(783,536)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	19,104	32,041	32,041	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	202,945	1,760,000	100	(66,630)	(1,806)	(1,806)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	603,244	34,294,075	50	384,280	(262,398)	(131,375)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,585	(45)	(45)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	(49,816)	51,447	51,447	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	535,904	461,344	5,449,500	100	273,715	(61,282)	(55,219)	Subsidiary
Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	179,530	59,768	59,768	Subsidiary	
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	68,030 (EUR 2,172)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	40,304	59,768	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: For information on investments in mainland China, see Table 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 232,872 (USD 8,413)	(Note 1)	\$ 19,256 (USD 804)	\$ -	\$ 19,256 (USD 804)	\$ -	\$ 68,926	-	(Note 3)	\$ - (Note 6)	\$ 139,396 (USD 4,640)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	312,569	100	\$ 312,569 (Note 4)	1,826,457 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(4,253)	-	(2,132) (Note 4)	- (Note 7)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	873	50	438 (Note 4)	3,162	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Company	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 5)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 252,565 (Note 5)

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

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

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

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 5: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Company 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: YIFU Finance and Kaland have been liquidated in February 2021 and August 2021, respectively.

Note 7: Luren Shanghai has been liquidated in June 2021.

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

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

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

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HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			\$ 138
Foreign currencies			<u>1,029</u>
			<u>1,167</u>
Cash in banks			
Checking accounts			223,756
Demand deposits			640,720
Foreign deposits			
USD	9,069	27.680	251,030
EUR	4,434	31.32	138,864
RMB	122,374	4.344	531,592
JPY	405,202	0.2405	97,451
GBP	63	37.30	<u>2,353</u>
			<u>1,885,766</u>
Cash equivalents			
Foreign time deposits			
RMB	84,200	4.344	<u>365,765</u>
			<u>\$ 2,252,698</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 17	\$ 29,060
Company 32	9,629
Others (Note)	<u>135,894</u>
	174,583
Less: Allowance for impairment loss	<u>(1,746)</u>
	<u>\$ 172,837</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 9	\$ 221,460
Company 22	200,844
Company 25	159,425
Company 14	121,773
Others (Note)	<u>1,158,884</u>
	1,862,386
Less: Allowance for impairment loss	<u>(94)</u>
	<u>\$ 1,862,292</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	Market Price (Note 1)
Merchandise	\$ 2,893	\$ 2,893
Finished goods	761,794	1,323,428
Work in process	1,475,002	1,475,002
Raw materials	2,128,236	2,416,108
Inventories in transit	<u>313,350</u>	<u>313,350</u>
	<u>\$ 4,681,275</u>	<u>\$ 5,530,781</u>

Note 1: Inventories are stated at the lower of cost or net realizable.

Note 2: Inventories are not provided as collateral.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2021		Additions		Decrease		Balance, December 31, 2021		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	
Hiwin Mikrosystem	9,431,363	\$ 860,140	94,313	\$ 216,261	-	\$ -	9,525,676	\$ 1,076,401	None
Ever Fortune	2,573,000	45,017	-	341,782	-	-	2,573,000	386,799	None
Taichung International Country Club	1	2,650	-	430	-	-	1	3,080	None
Sunengine	588,149	-	-	-	-	-	588,149	-	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
Kaland (Note)	323,289	<u>36,427</u>	-	<u>-</u>	323,289	<u>36,427</u>	-	<u>-</u>	None
		<u>\$ 944,234</u>		<u>\$ 558,473</u>		<u>\$ 36,427</u>		<u>\$ 1,466,280</u>	

Note: The decrease is due to liquidation in August 2021.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2021		Additions		Decrease		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Unrealized Gain	Balance, December 31, 2021			Net Equity Value	Original Investment Cost December 31, 2021	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	\$ 1,934,803	-	\$ -	-	\$ -	\$ -	\$ 326,315	\$ (241,986)	\$ (335,617)	-	100	\$ 1,683,515	\$ 2,203,319	\$ 224,257	Nil
Hiwin USA	2,148,000	648,513	-	-	-	-	-	145,238	(21,370)	(57,045)	2,148,000	100	715,336	823,906	353,844	Nil
Hiwin Japan	54,200	39,300	8,000	100,960	-	-	-	(59,220)	(13,029)	(23,661)	62,200	100	44,350	119,197	918,602	Nil
Eterbright (Note)	171,449,427	(643,793)	174,011,165	1,740,112	-	-	(437,015)	(783,536)	-	1,193	345,460,592	85	(123,039)	(112,313)	4,723,668	Nil
Hiwin Singapore	5,000,000	(885)	-	-	-	-	-	32,041	(1,113)	(10,939)	5,000,000	100	19,104	40,993	117,550	Nil
Hiwin Korea (Note)	1,440,000	(85,532)	320,000	39,762	-	-	-	(1,806)	5,309	(24,363)	1,760,000	100	(66,630)	(23,126)	242,707	Nil
Hiwin China	-	1,798,349	-	-	-	-	-	312,569	(13,972)	(270,489)	-	100	1,826,457	2,180,386	1,498,040	Nil
Matrix Precision	2,171,075	95,313	32,123,000	419,420	-	-	1,959	(132,653)	-	241	34,294,075	50	384,280	207,385	1,022,664	Nil
Hiwin Healthcare Corp.	100,000	2,706	-	-	-	-	-	(45)	(76)	-	100,000	100	2,585	2,585	3,108	Nil
Hiwin Italy (Note)	-	88,729	-	-	-	-	-	49,786	(19,900)	(168,431)	-	100	(49,816)	192,076	296,580	Nil
Matrix	4,649,500	261,614	800,000	74,560	-	-	-	(55,219)	(7,114)	(126)	5,449,500	100	273,715	195,840	535,904	Nil
Hiwin Schweiz	243,000	206,720	-	-	-	-	-	59,768	(17,480)	(69,478)	243,000	81	179,530	253,521	266,300	Nil
		\$ 4,345,837		\$ 2,374,814		\$ -	\$ (435,056)	\$ (106,762)	\$ (330,731)	\$ (958,715)			\$ 4,889,387	\$ 6,083,769	\$ 10,203,224	
Investments in associates																
Mega-Fabs	240,000	\$ 152,031	-	\$ -	-	\$ -	\$ -	\$ 29,745	\$ 2,941	\$ -	240,000	40	\$ 184,717	\$ 151,888	\$ 42,444	Nil

Note: The balance as of December 31, 2021 was accounted for as credit balance for investments accounted for using the equity method.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2021	Additions	Decrease	Balance at December 31, 2021
Cost				
Land	\$ 144,700	\$ 1,717	\$ -	\$ 146,417
Building	180,025	42,354	2,238	220,141
Total cost	<u>324,725</u>	<u>\$ 44,071</u>	<u>\$ 2,238</u>	<u>366,558</u>
Accumulated depreciation				
Land	15,939	\$ 8,155	\$ -	24,094
Building	71,905	54,346	1,606	124,645
Total accumulated depreciation	<u>87,844</u>	<u>\$ 62,501</u>	<u>\$ 1,606</u>	<u>148,739</u>
Right-of-use assets	<u>\$ 236,881</u>			<u>\$ 217,819</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Loans for export sales			
The Export-Import Bank of the Republic of China, Taichung Branch	2022.9.27	0.61	<u>\$ 940,000</u>
Line of credit borrowings			
Bank of Taiwan, Taichung Industrial Park Branch	2022.3.29	0.80	500,000
Sumitomo Mitusi Banking Corporation, Taipei Branch	2022.2.18	0.71	300,000
Bank of Taiwan, Offshore Banking Branch	2022.3.24	0.80	<u>200,000</u>
			<u>1,000,000</u>
			<u>\$ 1,940,000</u>

Note: The maturity date is the last date of multiple loans.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	<u>\$ 3,647,902</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan (Note 1)						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2034.2.21	Repayable monthly from November 30, 2013 in 48, 60 and 144 installments	1.04-1.17	\$ 475,347	\$ 3,191,603	\$ 3,666,950
The Export-Import Bank of the Republic of China, Taichung Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	0.36	-	18,733	18,733
Chang Hwa Commercial Bank, Hsitun Branch	2020.5.26-2027.5.15	Repayable monthly from May 15, 2023 in 48 installments	0.90	-	1,586	1,586
Unsecured loan						
Land Bank of Taiwan, Taichung Branch	2021.8.2-2026.2.4	Repayment due on February 4, 2026	0.93	-	200,000	200,000
Bank of Taiwan, Taichung Industrial Park Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	0.70	-	2,859	2,859
				<u>\$ 475,347</u>	<u>\$ 3,414,781</u>	<u>\$ 3,890,128</u>

Note 1: Property, plant and equipment pledged as collateral in the amount of \$15,649,930 thousand for bank borrowings.

Note 2: The period indicates the earliest loan date and the last due date of the multiple borrowings.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	20 years	1.45	\$ 122,421
Building	2 to 7 years	1.45	<u>96,433</u>
			218,854
Less: Current portion			<u>(42,523)</u>
Lease liabilities - non-current			<u>\$ 176,331</u>

HIWIN TECHNOLOGIES CORPORATION

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 24,101	\$15,927,012
Ballscrews	About 1,607	4,926,757
Others		<u>2,154,529</u>
		23,008,298
Less: Sales return		(502)
Sales discount		<u>(1,897)</u>
Sales		<u>\$23,005,899</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials, beginning of year	\$ 1,581,511	
Raw materials purchased	7,330,392	
Sale of raw materials	(100,509)	
Raw materials scrapped	(28,349)	
Raw materials, end of year	<u>(2,032,319)</u>	
Raw materials used		\$ 6,750,726
Supplies, beginning of year	700,882	
Supplies purchased	2,204,269	
Sale of supplies	(18,435)	
Transferred to manufacturing expense and prepayments for machinery and equipment	(2,219,494)	
Supplies, end of year	<u>(667,222)</u>	
Supplies used		-
Direct labor		3,173,698
Manufacturing expenses		<u>5,989,776</u>
Manufacturing cost		15,914,200
Work in process, beginning of year		1,262,127
Work in process, end of year		<u>(1,555,993)</u>
Cost of finished goods		15,620,334
Finished goods, beginning of year		446,373
Finished goods, end of year		(835,503)
Transferred to operating expense and prepayments for machinery and equipment		(214,520)
Other adjustment		<u>(26,038)</u>
Cost of goods sold		14,990,646
Merchandise, beginning of year	2,017	
Merchandise purchased	9,635	
Transferred to manufacturing expense	(1,907)	
Transferred from prepayment for machinery and equipment	5,069	
Merchandise, end of year	<u>(2,893)</u>	
Cost of merchandise sold		11,921
Cost of raw materials and supplies sold		118,944
Inventory write-downs		95,654
Loss from inventories scraps		28,349
Maintenance and warranty expense		20,633
Unallocated fixed overhead		120,420
Revenue from sale of scraps		<u>(147,838)</u>
Operating costs		<u>\$ 15,238,729</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 112,280	\$ 531,844	\$ 471,222	\$ 1,115,346
Depreciation expense	4,400	110,342	80,456	195,198
Shipping expense	78,234	651	4,569	83,454
Donation	-	77,211	-	77,211
Others	<u>168,840</u>	<u>227,079</u>	<u>239,309</u>	<u>635,228</u>
Total	<u>\$ 363,754</u>	<u>\$ 947,127</u>	<u>\$ 795,556</u>	<u>\$ 2,106,437</u>