

**Hiwin Technologies Corporation and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and the Shareholders
Hiwin Technologies Corporation

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$8,467,628 thousand and NT\$8,560,552 thousand, respectively, representing 18% and 17%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$4,278,876 thousand and NT\$4,573,491 thousand, respectively, both representing 18%, of the consolidated total liabilities; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$10,412 thousand, NT\$(57,514) thousand, NT\$(73,038) thousand and NT\$87,477 thousand, respectively, representing 1%, 169%, (7%) and 5%, respectively, of the consolidated total comprehensive income (loss).

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 3, 2020

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | September 30, 2020 (Reviewed) | | December 31, 2019 (Audited) | | September 30, 2019 (Reviewed) | |
|--|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 2,864,353 | 6 | \$ 2,008,745 | 4 | \$ 2,156,552 | 4 |
| Financial assets at fair value through profit or loss - current (Note 7) | 3,031 | - | 2,584 | - | 12,303 | - |
| Notes receivable from unrelated parties, net (Note 9) | 694,939 | 1 | 404,636 | 1 | 388,442 | 1 |
| Notes receivable from related parties, net (Note 27) | 723 | - | 878 | - | 1,116 | - |
| Trade receivables from unrelated parties, net (Note 9) | 5,258,638 | 11 | 4,404,813 | 9 | 5,148,167 | 11 |
| Trade receivables from related parties, net (Note 27) | 21,671 | - | 17,352 | - | 21,474 | - |
| Inventories (Note 10) | 6,677,872 | 14 | 7,552,944 | 16 | 7,884,772 | 16 |
| Other current assets (Notes 6, 27 and 28) | 476,956 | 1 | 455,503 | 1 | 570,295 | 1 |
| Total current assets | <u>15,998,183</u> | <u>33</u> | <u>14,847,455</u> | <u>31</u> | <u>16,183,121</u> | <u>33</u> |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 876,173 | 2 | 1,026,394 | 2 | 1,003,104 | 2 |
| Financial assets at amortized cost - non-current | 2,906 | - | 2,922 | - | 2,922 | - |
| Investments accounted for using the equity method (Note 12) | 208,674 | - | 192,144 | - | 199,361 | - |
| Property, plant and equipment (Notes 13, 27 and 28) | 27,697,352 | 57 | 28,279,428 | 58 | 27,826,349 | 56 |
| Right-of-use assets (Notes 14, 27 and 28) | 741,366 | 2 | 792,490 | 2 | 823,781 | 2 |
| Goodwill | 256,163 | 1 | 256,163 | 1 | 256,163 | 1 |
| Deferred tax assets (Notes 4 and 21) | 346,263 | 1 | 388,328 | 1 | 438,612 | 1 |
| Prepayments for machinery and equipment (Note 15) | 1,955,128 | 4 | 2,293,112 | 5 | 2,730,858 | 5 |
| Refundable deposits | 63,440 | - | 80,711 | - | 82,947 | - |
| Other non-current assets (Note 9) | 211,401 | - | 172,709 | - | 160,662 | - |
| Total non-current assets | <u>32,358,866</u> | <u>67</u> | <u>33,484,401</u> | <u>69</u> | <u>33,524,759</u> | <u>67</u> |
| TOTAL | <u>\$ 48,357,049</u> | <u>100</u> | <u>\$ 48,331,856</u> | <u>100</u> | <u>\$ 49,707,880</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 16 and 28) | \$ 9,172,760 | 19 | \$ 9,762,417 | 20 | \$ 10,966,605 | 22 |
| Financial liabilities at fair value through profit or loss - current (Note 7) | 12,911 | - | 29 | - | 183 | - |
| Contract liabilities - current (Note 27) | 124,674 | - | 120,069 | - | 164,047 | - |
| Notes payable | 1,486 | - | 8,581 | - | 4,704 | - |
| Trade payables to unrelated parties | 3,023,210 | 6 | 2,141,878 | 5 | 2,349,917 | 5 |
| Trade payables to related parties (Note 27) | 137,488 | - | 131,925 | - | 178,748 | - |
| Other payables (Notes 17 and 27) | 1,369,851 | 3 | 1,541,424 | 3 | 1,851,970 | 4 |
| Current tax liabilities (Notes 4 and 21) | 291,617 | 1 | 145,818 | - | 399,727 | 1 |
| Lease liabilities - current (Notes 14 and 27) | 156,613 | 1 | 157,851 | 1 | 156,823 | - |
| Current portion of long-term borrowings (Notes 16 and 28) | 1,281,311 | 3 | 1,519,285 | 3 | 1,546,361 | 3 |
| Other current liabilities | 85,386 | - | 93,593 | - | 104,685 | - |
| Total current liabilities | <u>15,657,307</u> | <u>33</u> | <u>15,622,870</u> | <u>32</u> | <u>17,723,770</u> | <u>35</u> |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term borrowings (Notes 16 and 28) | 7,175,267 | 15 | 7,833,258 | 16 | 7,000,085 | 14 |
| Deferred tax liabilities (Notes 4 and 21) | 478,599 | 1 | 450,354 | 1 | 483,352 | 1 |
| Lease liabilities - non-current (Notes 14 and 27) | 436,743 | 1 | 482,527 | 1 | 509,259 | 1 |
| Net defined benefit liabilities - non-current (Notes 4 and 18) | 242,465 | - | 276,353 | 1 | 315,737 | 1 |
| Other non-current liabilities (Note 16) | 10,826 | - | 12,017 | - | 22,921 | - |
| Total non-current liabilities | <u>8,343,900</u> | <u>17</u> | <u>9,054,509</u> | <u>19</u> | <u>8,331,354</u> | <u>17</u> |
| Total liabilities | <u>24,001,207</u> | <u>50</u> | <u>24,677,379</u> | <u>51</u> | <u>26,055,124</u> | <u>52</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION | | | | | | |
| Ordinary shares | 3,188,663 | 7 | 3,095,789 | 6 | 3,095,789 | 6 |
| Capital surplus | 3,320,372 | 7 | 3,236,274 | 7 | 3,236,274 | 7 |
| Retained earnings | | | | | | |
| Legal reserve | 2,892,584 | 6 | 2,706,052 | 5 | 2,706,052 | 5 |
| Unappropriated earnings | 14,935,849 | 31 | 14,410,303 | 30 | 14,339,145 | 29 |
| Other equity | 181,572 | - | 294,835 | 1 | 322,917 | 1 |
| Total equity attributable to owners of the Corporation | <u>24,519,040</u> | <u>51</u> | <u>23,743,253</u> | <u>49</u> | <u>23,700,177</u> | <u>48</u> |
| NON-CONTROLLING INTERESTS | <u>(163,198)</u> | <u>(1)</u> | <u>(88,776)</u> | <u>-</u> | <u>(47,421)</u> | <u>-</u> |
| Total equity | <u>24,355,842</u> | <u>50</u> | <u>23,654,477</u> | <u>49</u> | <u>23,652,756</u> | <u>48</u> |
| TOTAL | <u>\$ 48,357,049</u> | <u>100</u> | <u>\$ 48,331,856</u> | <u>100</u> | <u>\$ 49,707,880</u> | <u>100</u> |

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

(With Deloitte & Touche review report dated November 3, 2020)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|-----------|------------------|------------|--|-----------|-------------------|-----------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| SALES (Note 27) | \$ 5,873,137 | 100 | \$ 5,061,590 | 100 | \$ 15,115,780 | 100 | \$ 16,195,614 | 100 |
| COST OF GOODS SOLD (Notes 10, 20 and 27) | <u>4,204,083</u> | <u>72</u> | <u>3,358,911</u> | <u>67</u> | <u>10,986,993</u> | <u>73</u> | <u>10,440,363</u> | <u>65</u> |
| GROSS PROFIT | <u>1,669,054</u> | <u>28</u> | <u>1,702,679</u> | <u>33</u> | <u>4,128,787</u> | <u>27</u> | <u>5,755,251</u> | <u>35</u> |
| OPERATING EXPENSES (Notes 20 and 27) | | | | | | | | |
| Selling and marketing expenses | 307,579 | 5 | 389,282 | 8 | 949,403 | 6 | 1,227,716 | 7 |
| General and administrative expenses | 456,224 | 8 | 415,131 | 8 | 1,212,236 | 8 | 1,232,137 | 8 |
| Research and development expenses | <u>244,216</u> | <u>4</u> | <u>258,934</u> | <u>5</u> | <u>703,934</u> | <u>5</u> | <u>836,178</u> | <u>5</u> |
| Total operating expenses | <u>1,008,019</u> | <u>17</u> | <u>1,063,347</u> | <u>21</u> | <u>2,865,573</u> | <u>19</u> | <u>3,296,031</u> | <u>20</u> |
| PROFIT FROM OPERATIONS | <u>661,035</u> | <u>11</u> | <u>639,332</u> | <u>12</u> | <u>1,263,214</u> | <u>8</u> | <u>2,459,220</u> | <u>15</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Subsidy revenue (Note 16) | 7,086 | - | 2,229 | - | 29,586 | - | 26,284 | - |
| Finance costs (Notes 20 and 27) | (52,304) | (1) | (54,316) | (1) | (168,312) | (1) | (139,048) | (1) |
| Share of profit of associates accounted for using the equity method (Note 12) | 7,248 | - | 4,574 | - | 18,324 | - | 13,746 | - |
| Interest income | 2,537 | - | 2,305 | - | 10,534 | - | 8,963 | - |
| Gain from bargain purchase (Note 23) | - | - | - | - | 48,159 | 1 | - | - |
| Other income (Note 27) | 33,020 | 1 | 28,457 | - | 119,170 | 1 | 131,589 | 1 |
| Gain (loss) on disposal of property, plant and equipment | 336,639 | 6 | 578 | - | 341,441 | 2 | (2,891) | - |
| Net foreign exchange gain (loss) (Note 30) | 115,370 | 2 | (207,987) | (4) | 35,497 | - | (116,884) | - |
| Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss | (33,508) | (1) | 29,738 | 1 | (24,859) | - | 11,265 | - |
| Other expenses | <u>(7,430)</u> | <u>-</u> | <u>(370)</u> | <u>-</u> | <u>(11,931)</u> | <u>-</u> | <u>(953)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>408,658</u> | <u>7</u> | <u>(194,792)</u> | <u>(4)</u> | <u>397,609</u> | <u>3</u> | <u>(67,929)</u> | <u>-</u> |
| PROFIT BEFORE INCOME TAX | 1,069,693 | 18 | 444,540 | 8 | 1,660,823 | 11 | 2,391,291 | 15 |
| INCOME TAX EXPENSE (Notes 4 and 21) | <u>191,683</u> | <u>3</u> | <u>110,781</u> | <u>2</u> | <u>464,840</u> | <u>3</u> | <u>731,099</u> | <u>5</u> |
| NET PROFIT FOR THE PERIOD | <u>878,010</u> | <u>15</u> | <u>333,759</u> | <u>6</u> | <u>1,195,983</u> | <u>8</u> | <u>1,660,192</u> | <u>10</u> |

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|-----------|--------------------|------------|--|----------|---------------------|-----------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income | \$ (87,699) | (1) | \$ (238,334) | (5) | \$ (104,280) | (1) | \$ 40,840 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translating the financial statements of foreign operations | 82,930 | 1 | (161,995) | (3) | (10,803) | - | (101,439) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21) | (16,332) | - | 32,472 | 1 | 2,227 | - | 20,820 | - |
| | <u>66,598</u> | <u>1</u> | <u>(129,523)</u> | <u>(2)</u> | <u>(8,576)</u> | <u>-</u> | <u>(80,619)</u> | <u>-</u> |
| Other comprehensive income (loss) for the period, net of income tax | (21,101) | - | (367,857) | (7) | (112,856) | (1) | (39,779) | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | <u>\$ 856,909</u> | <u>15</u> | <u>\$ (34,098)</u> | <u>(1)</u> | <u>\$ 1,083,127</u> | <u>7</u> | <u>\$ 1,620,413</u> | <u>10</u> |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | \$ 926,442 | 16 | \$ 389,025 | 8 | \$ 1,362,194 | 9 | \$ 1,826,876 | 11 |
| Non-controlling interests | (48,432) | (1) | (55,266) | (1) | (166,211) | (1) | (166,684) | (1) |
| | <u>\$ 878,010</u> | <u>15</u> | <u>\$ 333,759</u> | <u>7</u> | <u>\$ 1,195,983</u> | <u>8</u> | <u>\$ 1,660,192</u> | <u>10</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | \$ 904,169 | 16 | \$ 21,062 | - | \$ 1,248,931 | 8 | \$ 1,784,648 | 11 |
| Non-controlling interests | (47,260) | (1) | (55,160) | (1) | (165,804) | (1) | (164,235) | (1) |
| | <u>\$ 856,909</u> | <u>15</u> | <u>\$ (34,098)</u> | <u>(1)</u> | <u>\$ 1,083,127</u> | <u>7</u> | <u>\$ 1,620,413</u> | <u>10</u> |
| EARNINGS PER SHARE (Note 22) | | | | | | | | |
| Basic | <u>\$ 2.91</u> | | <u>\$ 1.22</u> | | <u>\$ 4.27</u> | | <u>\$ 5.73</u> | |
| Diluted | <u>\$ 2.90</u> | | <u>\$ 1.22</u> | | <u>\$ 4.26</u> | | <u>\$ 5.71</u> | |

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

(With Deloitte & Touche review report dated November 3, 2020)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Corporation (Note 19) | | | | | | | | | |
|---|--|-----------------|-------------------|-----------------|-------------------------|--|--|---------------|--|---------------|
| | Ordinary Shares | Capital Surplus | Retained Earnings | | | Other Equity | | Total | Non-controlling Interests (Notes 11 and 24) | Total Equity |
| | | | Legal Reserve | Special 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 | | | |
| BALANCE AT JANUARY 1, 2019 | \$ 3,005,620 | \$ 3,236,274 | \$ 2,166,826 | \$ 250,940 | \$ 15,145,659 | \$ (275,194) | \$ 650,334 | \$ 24,180,459 | \$ 257,941 | \$ 24,438,400 |
| Appropriation of 2018 earnings | | | | | | | | | | |
| Legal reserve | - | - | 539,226 | - | (539,226) | - | - | - | - | - |
| Special reserve | - | - | - | (250,940) | 250,940 | - | - | - | - | - |
| Cash dividends - NT\$7.0 per share | - | - | - | - | (2,103,934) | - | - | (2,103,934) | - | (2,103,934) |
| Share dividends - NT\$0.3 per share | 90,169 | - | - | - | (90,169) | - | - | - | - | - |
| | 90,169 | - | 539,226 | (250,940) | (2,482,389) | - | - | (2,103,934) | - | (2,103,934) |
| Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | - | - | - | - | (160,996) | - | - | (160,996) | 160,996 | - |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | (302,123) | (302,123) |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 9,995 | - | (9,995) | - | - | - |
| Net profit (loss) for the nine months ended September 30, 2019 | - | - | - | - | 1,826,876 | - | - | 1,826,876 | (166,684) | 1,660,192 |
| Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax | - | - | - | - | - | (83,068) | 40,840 | (42,228) | 2,449 | (39,779) |
| Total comprehensive income (loss) for the nine months ended September 30, 2019 | - | - | - | - | 1,826,876 | (83,068) | 40,840 | 1,784,648 | (164,235) | 1,620,413 |
| BALANCE AT SEPTEMBER 30, 2019 | \$ 3,095,789 | \$ 3,236,274 | \$ 2,706,052 | \$ - | \$ 14,339,145 | \$ (358,262) | \$ 681,179 | \$ 23,700,177 | \$ (47,421) | \$ 23,652,756 |
| BALANCE AT JANUARY 1, 2020 | \$ 3,095,789 | \$ 3,236,274 | \$ 2,706,052 | \$ - | \$ 14,410,303 | \$ (409,634) | \$ 704,469 | \$ 23,743,253 | \$ (88,776) | \$ 23,654,477 |
| Changes in percentage of ownership interests in subsidiaries | - | 84,098 | - | - | - | - | - | 84,098 | 20,418 | 104,516 |
| Appropriation of 2019 earnings | | | | | | | | | | |
| Legal reserve | - | - | 186,532 | - | (186,532) | - | - | - | - | - |
| Cash dividends - NT\$1.8 per share | - | - | - | - | (557,242) | - | - | (557,242) | - | (557,242) |
| Share dividends - NT\$0.3 per share | 92,874 | - | - | - | (92,874) | - | - | - | - | - |
| | 92,874 | - | 186,532 | - | (836,648) | - | - | (557,242) | - | (557,242) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | 70,964 | 70,964 |
| Net profit (loss) for the nine months ended September 30, 2020 | - | - | - | - | 1,362,194 | - | - | 1,362,194 | (166,211) | 1,195,983 |
| Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax | - | - | - | - | - | (8,983) | (104,280) | (113,263) | 407 | (112,856) |
| Total comprehensive income (loss) for the nine months ended September 30, 2020 | - | - | - | - | 1,362,194 | (8,983) | (104,280) | 1,248,931 | (165,804) | 1,083,127 |
| BALANCE AT SEPTEMBER 30, 2020 | \$ 3,188,663 | \$ 3,320,372 | \$ 2,892,584 | \$ - | \$ 14,935,849 | \$ (418,617) | \$ 600,189 | \$ 24,519,040 | \$ (163,198) | \$ 24,355,842 |

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

(With Deloitte & Touche review report dated November 3, 2020)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|--|---|----------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,660,823 | \$ 2,391,291 |
| Adjustments for : | | |
| Depreciation expenses | 1,721,084 | 1,628,849 |
| Amortization expenses | 44,743 | 43,560 |
| Expected credit loss recognized (reversed) on trade receivables | (4,159) | 11,749 |
| Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss | 9,880 | (12,120) |
| Finance costs | 168,312 | 139,048 |
| Interest income | (10,534) | (8,963) |
| Dividend income | (35,495) | (60,931) |
| Share of profit of associates accounted for using the equity method | (18,324) | (13,746) |
| Loss (gain) on disposal of property, plant and equipment | (341,441) | 2,891 |
| Inventory write-downs recognized | 189,206 | 54,875 |
| Unrealized foreign currency exchange loss (gain), net | (48,070) | 114,356 |
| Gain from bargain purchase | (48,159) | - |
| Other | (3,742) | - |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 2,555 | (5,493) |
| Notes receivable | (291,611) | 645,385 |
| Trade receivables | (785,541) | (288,836) |
| Inventories | 1,041,153 | 1,089,174 |
| Other current assets | (18,976) | 103,886 |
| Contract liabilities | 6,236 | (21,540) |
| Notes payable | (7,095) | (7,727) |
| Trade payables | 875,992 | (3,021,776) |
| Other payables | (105,407) | (1,075,073) |
| Other current liabilities | (14,573) | (8,376) |
| Net defined benefit liabilities | (48,247) | (9,140) |
| Cash generated from operations | 3,938,610 | 1,691,343 |
| Interest received | 7,587 | 13,237 |
| Dividend received | 35,495 | 60,931 |
| Interest paid | (174,240) | (137,383) |
| Income taxes paid | (255,024) | (1,131,165) |
| Net cash generated from operating activities | <u>3,552,428</u> | <u>496,963</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | - | (36,000) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 7,896 |
| Purchase of financial assets at amortized cost | - | (2,922) |

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2020 | 2019 |
| Proceeds from disposal of financial assets at amortized cost | \$ - | \$ 2,700 |
| Net cash outflow on acquisition of subsidiaries (Note 23) | 12,648 | - |
| Payments for property, plant and equipment | (805,856) | (2,975,986) |
| Proceeds from disposal of property, plant and equipment | 687,894 | 3,584 |
| Decrease (increase) in refundable deposits | 16,896 | (2,662) |
| Decrease (increase) in other financial assets | 3,300 | (3,300) |
| Increase in other non-current assets | (81,404) | (39,554) |
| Increase in prepayments for machinery and equipment | <u>(486,881)</u> | <u>(1,066,087)</u> |
| Net cash used in investing activities | <u>(653,403)</u> | <u>(4,112,331)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from short-term borrowings | (576,752) | 4,773,411 |
| Proceeds from long-term borrowings | 527,734 | 2,297,154 |
| Repayments of long-term borrowings | (1,411,563) | (1,543,206) |
| Repayment of the principal portion of lease liabilities | (135,458) | (129,362) |
| Increase in other non-current liabilities | 12,076 | 1,335 |
| Dividends paid | (557,242) | (2,103,934) |
| Acquisition of additional shares of subsidiary | - | (302,123) |
| Changes in non-controlling interests | <u>104,516</u> | <u>-</u> |
| Net cash generated from (used in) financing activities | <u>(2,036,689)</u> | <u>2,993,275</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>(6,728)</u> | <u>(8,587)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 855,608 | (630,680) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>2,008,745</u> | <u>2,787,232</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 2,864,353</u> | <u>\$ 2,156,552</u> |

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

(With Deloitte & Touche review report dated November 3, 2020)

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on November 3, 2020.

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

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

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

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|---|
| “Annual Improvements to IFRS Standards 2018 - 2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |
| 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 |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|--|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

(Concluded)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 2,777 | \$ 2,262 | \$ 2,256 |
| Checking accounts and demand deposits | 2,724,647 | 1,654,407 | 1,866,018 |
| Pledged time deposits | 2,000 | 5,300 | 5,300 |
| Cash equivalents | | | |
| Time deposits (investments with original maturities within 3 months) | <u>136,929</u> | <u>352,076</u> | <u>288,278</u> |
| | 2,866,353 | 2,014,045 | 2,161,852 |
| Less: Pledged time deposits (classified as other current assets) | <u>(2,000)</u> | <u>(5,300)</u> | <u>(5,300)</u> |
| | <u>\$ 2,864,353</u> | <u>\$ 2,008,745</u> | <u>\$ 2,156,552</u> |
| <u>Interest rate per annum (%)</u> | | | |
| Cash in bank | 0.00-0.40 | 0.00-0.40 | 0.00-0.43 |
| Time deposits (investments with original maturities within 3 months) | 0.05-2.10 | 0.05-2.60 | 0.60-2.25 |
| Pledged time deposits | 0.35-0.82 | 0.81-1.07 | 0.81-1.07 |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets and liabilities mandatorily designated as at fair value through profit or loss (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>September 30, 2020</u> | | | |
| Sell | EUR/NTD | 2020.10.21-2021.01.25 | EUR3,700/NTD128,333 |
| Sell | CNY/NTD | 2020.10.15-2021.01.26 | CNY266,500/NTD1,117,911 |
| Sell | USD/NTD | 2020.10.30-2020.11.30 | USD500/NTD14,638 |

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---------------------------|-----------------|-----------------------|---|
| <u>December 31, 2019</u> | | | |
| Sell | EUR/NTD | 2020.1.30-2020.3.16 | EUR2,700/NTD91,280 |
| Sell | CNY/NTD | 2020.1.13-2020.3.17 | CNY114,000/NTD490,284 |
| <u>September 30, 2019</u> | | | |
| Sell | EUR/NTD | 2019.10.28-2019.12.27 | EUR2,700/NTD93,870 |
| Sell | CNY/NTD | 2019.10.24-2019.12.31 | CNY135,800/NTD598,498 |

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

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

| Investments in equity instruments at fair value through other comprehensive income (FVTOCI) | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|---------------------------|--------------------------|---------------------------|
| <u>Domestic listed ordinary shares</u> | | | |
| Hiwin Mikrosystem Corp. (Hiwin Mikrosystem) | \$ 681,888 | \$ 787,509 | \$ 801,572 |
| <u>Domestic unlisted ordinary shares</u> | | | |
| Ever Fortune. AI Co., Ltd. (Ever Fortune) | 26,362 | 28,010 | 28,356 |
| Taichung International Country Club | 2,620 | 2,500 | 2,500 |
| Sunengine Corporation Ltd. (Sunengine) | - | - | - |
| King Kong Iron Work Ltd. | - | - | - |
| <u>Overseas unlisted ordinary shares</u> | | | |
| Kaland Holdings Corp. (Kaland) | 165,303 | 205,055 | 167,356 |
| Hiwin (Schweiz) GmbH (Note 11) | - | 3,320 | 3,320 |
| | <u>\$ 876,173</u> | <u>\$ 1,026,394</u> | <u>\$ 1,003,104</u> |

The Investment Commission of the Ministry of Economic Affairs (MOEAIC) approved the Corporation's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). Investments amounting to US\$8,168 thousand were made through investments in Kaland and its subsidiary, Cheer Tone Group Limited in the British Virgin Islands (BVI). YIFU Finance is mainly engaged in finance leasing services.

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

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| <u>Notes receivable from unrelated parties</u> | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 695,417 | \$ 405,233 | \$ 388,979 |
| Less: Allowance for impairment loss | <u>(478)</u> | <u>(597)</u> | <u>(537)</u> |
| | <u>\$ 694,939</u> | <u>\$ 404,636</u> | <u>\$ 388,442</u> |
| <u>Trade receivables from unrelated parties</u> | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 5,281,429 | \$ 4,432,320 | \$ 5,178,825 |
| Less: Allowance for impairment loss | <u>(22,791)</u> | <u>(27,507)</u> | <u>(30,658)</u> |
| | <u>\$ 5,258,638</u> | <u>\$ 4,404,813</u> | <u>\$ 5,148,167</u> |

a. Notes receivable

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--------------|-------------------------------|------------------------------|-------------------------------|
| Not past due | \$ 695,417 | \$ 405,233 | \$ 388,979 |
| Past due | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 695,417</u> | <u>\$ 405,233</u> | <u>\$ 388,979</u> |

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

| | Not Past Due | 1 to 120 Days | 121 to 360 Days | Over 360 Days | Total |
|-----------------------------------|---------------------|---------------------|-------------------|-----------------|---------------------|
| <u>September 30, 2020</u> | | | | | |
| Expected credit loss rate | 0.001%-0.1% | 0.01%-40% | 2%-100% | 10%-100% | |
| Gross carrying amount | \$ 4,727,511 | \$ 526,164 | \$ 14,841 | \$ 12,913 | \$ 5,281,429 |
| Loss allowance (Lifetime ECLs) | <u>(5,850)</u> | <u>(2,405)</u> | <u>(3,490)</u> | <u>(11,046)</u> | <u>(22,791)</u> |
| Amortized cost | <u>\$ 4,721,661</u> | <u>\$ 523,759</u> | <u>\$ 11,351</u> | <u>\$ 1,867</u> | <u>\$ 5,258,638</u> |
| <u>December 31, 2019</u> | | | | | |
| Expected credit loss rate | 0.001%-0.1% | 0.01%-40% | 2%-100% | 10%-100% | |
| Gross carrying amount | \$ 2,769,020 | \$ 1,537,171 | \$ 118,296 | \$ 7,833 | \$ 4,432,320 |
| Loss allowance (Lifetime ECLs) | <u>(9,687)</u> | <u>(8,906)</u> | <u>(4,494)</u> | <u>(4,420)</u> | <u>(27,507)</u> |
| Amortized cost | <u>\$ 2,759,333</u> | <u>\$ 1,528,265</u> | <u>\$ 113,802</u> | <u>\$ 3,413</u> | <u>\$ 4,404,813</u> |
| <u>September 30, 2019</u> | | | | | |
| Expected credit loss rate | 0.001%-0.1% | 0.01%-40% | 2%-100% | 10%-100% | |
| Gross carrying amount | \$ 3,572,520 | \$ 1,562,129 | \$ 23,654 | \$ 20,522 | \$ 5,178,825 |
| Loss allowance (Lifetime ECLs) | <u>(5,050)</u> | <u>(5,983)</u> | <u>(2,324)</u> | <u>(17,301)</u> | <u>(30,658)</u> |
| Amortized cost | <u>\$ 3,567,470</u> | <u>\$ 1,556,146</u> | <u>\$ 21,330</u> | <u>\$ 3,221</u> | <u>\$ 5,148,167</u> |

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

| | For the Nine Months Ended September 30, 2020 | | |
|-------------------------------------|---|------------------------------|------------------------------|
| | Notes Receivable | Trade Receivables | Other Receivables |
| Balance at January 1, 2020 | \$ 597 | \$ 27,507 | \$ 13,697 |
| Net remeasurement of loss allowance | (119) | (2,158) | - |
| Amounts written off | - | (1,882) | - |
| Foreign exchange gains and losses | - | <u>(676)</u> | - |
| Balance at September 30, 2020 | <u>\$ 478</u> | <u>\$ 22,791</u> | <u>\$ 13,697</u> |

| | For the Nine Months Ended September 30, 2019 | | |
|-------------------------------------|---|------------------------------|------------------------------|
| | Notes Receivable | Trade Receivables | Other Receivables |
| Balance at January 1, 2019 | \$ 2,022 | \$ 18,285 | \$ 13,697 |
| Net remeasurement of loss allowance | (1,485) | 13,234 | - |
| Amounts written off | - | (178) | - |
| Foreign exchange gains and losses | - | (683) | - |
| Balance at September 30, 2019 | <u>\$ 537</u> | <u>\$ 30,658</u> | <u>\$ 13,697</u> |

10. INVENTORIES

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|----------------------------|-------------------------------|------------------------------|-------------------------------|
| Merchandise | \$ 1,965 | \$ 3,432 | \$ 3,298 |
| Finished goods | 2,230,963 | 2,275,276 | 2,492,894 |
| Work in process | 1,677,458 | 1,546,353 | 1,538,991 |
| Raw materials and supplies | 2,559,924 | 3,459,706 | 3,586,534 |
| Inventory in transit | <u>207,562</u> | <u>268,177</u> | <u>263,055</u> |
| | <u>\$ 6,677,872</u> | <u>\$ 7,552,944</u> | <u>\$ 7,884,772</u> |

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 was \$4,204,083 thousand, \$3,358,911 thousand, \$10,986,993 thousand and \$10,440,363 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 included inventory write-downs of \$52,543 thousand, \$18,122 thousand, \$189,206 thousand and \$54,875 thousand, and unallocated fixed production overhead of \$84,680 thousand, \$75,557 thousand, \$240,204 thousand and \$241,684 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Main Business | Percentage of Ownership (%) | | |
|-----------------|---|---|------------------------------------|------------------------------|-------------------------------|
| | | | September 30, 2020 | December 31, 2019 | September 30, 2019 |
| The Corporation | Hiwin Corporation, U.S.A. ("Hiwin USA") | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Hiwin Corporation, Japan ("Hiwin Japan") | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Hiwin GmbH ("Hiwin Germany") | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |

(Continued)

| Investor | Investee | Main Business | Percentage of Ownership (%) | | |
|------------------|---|--|---|-------------------|--------------------|
| | | | September 30, 2020 | December 31, 2019 | September 30, 2019 |
| The Corporation | Eterbright Solar Corporation (“Eterbright”) | Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products | 74 | 74 | 74 |
| | Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”) | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Hiwin Corporation (“Hiwin Korea”) | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Hiwin Technologies (China) Corporation (“Hiwin China”) | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) (“Matrix Precision”) (Note 24) | Research, development, production, manufacture and sale of gear cutting tools and machinery | 51 | 71 | 71 |
| | Hiwin Healthcare Corp. | Sale of medical robots | 100 | 100 | 100 |
| | Hiwin S.R.L. (“Hiwin Italy”) | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 100 | 100 | 100 |
| | Matrix Machine Tool (Coventry) Limited (“Matrix”) | Design, integrated application, research, development, manufacture and sale of thread forming machinery | 100 | 100 | 100 |
| | Hiwin (Schweiz) GmbH (“Hiwin Schweiz”) | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 50 | - | - |
| | 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 | 100 | 100 |
| | Suzhou Matrix Precision Machinery Co., Ltd. (“Suzhou Matrix”) | Sale of gear cutting tools and machinery | 100 | 100 | 100 |

(Concluded)

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

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

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

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

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

| Name of Subsidiary | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | | |
|--------------------|---|-------------------|--------------------|
| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
| | Eterbright | 26% | 26% |
| Matrix Precision | 49% | 29% | 29% |
| Hiwin Schweiz | 31% | - | - |

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

| Name of Subsidiary | Income (Loss) and Comprehensive Income (Loss) Allocated to Non-controlling Interests | | | |
|--------------------|--|--------------------|--|---------------------|
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Eterbright | \$ (31,924) | \$ (35,450) | \$ (94,786) | \$ (107,295) |
| Matrix Precision | (17,840) | (19,710) | (73,923) | (46,657) |
| Hiwin Schweiz | 2,504 | - | 2,905 | - |
| Matrix | - | - | - | (10,283) |
| | <u>\$ (47,260)</u> | <u>\$ (55,160)</u> | <u>\$ (165,804)</u> | <u>\$ (164,235)</u> |

| Name of Subsidiary | Accumulated Non-controlling Interests | | |
|--------------------|---------------------------------------|--------------------|--------------------|
| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
| | Eterbright | \$ (176,769) | \$ (81,983) |
| Matrix Precision | (60,299) | (6,793) | (1,978) |
| Hiwin Schweiz | <u>73,870</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (163,198)</u> | <u>\$ (88,776)</u> | <u>\$ (47,421)</u> |

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---------------------|---------------------|---------------------|
| Current assets | \$ 254,011 | \$ 259,983 | \$ 307,877 |
| Non-current assets | 1,082,730 | 1,202,962 | 1,245,933 |
| Current liabilities | (1,916,520) | (1,626,893) | (1,544,715) |
| Non-current liabilities | <u>(104,576)</u> | <u>(153,445)</u> | <u>(185,024)</u> |
| Equity | <u>\$ (684,355)</u> | <u>\$ (317,393)</u> | <u>\$ (175,929)</u> |
| Equity attributable to: | | | |
| Owners of Eterbright | \$ (507,586) | \$ (235,410) | \$ (130,486) |
| Non-controlling interests of Eterbright | <u>(176,769)</u> | <u>(81,983)</u> | <u>(45,443)</u> |
| | <u>\$ (684,355)</u> | <u>\$ (317,393)</u> | <u>\$ (175,929)</u> |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|---------------------|---|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | \$ 15,035 | \$ 55,421 | \$ 29,077 | \$ 134,137 |
| Net loss for the period | \$ (123,593) | \$ (137,243) | \$ (366,962) | \$ (415,388) |
| Other comprehensive income (loss) for the period | - | - | - | - |
| Total comprehensive loss for the period | <u>\$ (123,593)</u> | <u>\$ (137,243)</u> | <u>\$ (366,962)</u> | <u>\$ (415,388)</u> |
| Loss and total comprehensive loss attributable to: | | | | |
| Owners of Eterbright | \$ (91,669) | \$ (101,793) | \$ (272,176) | \$ (308,093) |
| Non-controlling interests of Eterbright | <u>(31,924)</u> | <u>(35,450)</u> | <u>(94,786)</u> | <u>(107,295)</u> |
| | <u>\$ (123,593)</u> | <u>\$ (137,243)</u> | <u>\$ (366,962)</u> | <u>\$ (415,388)</u> |
| Net cash inflow (outflow) from: | | | | |
| Operating activities | | | \$ (228,687) | \$ (310,206) |
| Investing activities | | | (38,312) | (36,246) |
| Financing activities | | | <u>282,193</u> | <u>321,570</u> |
| Net cash inflow (outflow) | | | <u>\$ 15,194</u> | <u>\$ (24,882)</u> |

Matrix Precision and Matrix Precision's subsidiaries

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-------------------------------|------------------------------|-------------------------------|
| Current assets | \$ 577,485 | \$ 610,890 | \$ 685,989 |
| Non-current assets | 1,372,406 | 1,391,702 | 1,401,660 |
| Current liabilities | (1,093,145) | (1,060,204) | (1,066,522) |
| Non-current liabilities | <u>(972,787)</u> | <u>(996,268)</u> | <u>(1,020,013)</u> |
| Equity | <u>\$ (116,041)</u> | <u>\$ (53,880)</u> | <u>\$ 1,114</u> |
| Equity attributable to: | | | |
| Owners of Matrix Precision | \$ (59,239) | \$ (49,332) | \$ 792 |
| Non-controlling interests of Matrix Precision | <u>(56,802)</u> | <u>(4,548)</u> | <u>322</u> |
| | <u>\$ (116,041)</u> | <u>\$ (53,880)</u> | <u>\$ 1,114</u> |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------|---|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | \$ 61,994 | \$ 66,334 | \$ 156,020 | \$ 232,994 |
| Net loss for the period | \$ (36,852) | \$ (68,469) | \$ (166,527) | \$ (155,517) |
| Other comprehensive income (loss) for the period | 193 | 367 | (148) | 256 |
| Total comprehensive loss for the period | \$ (36,659) | \$ (68,102) | \$ (166,675) | \$ (155,261) |
| Loss attributable to: | | | | |
| Owners of Matrix Precision | \$ (18,813) | \$ (48,695) | \$ (92,398) | \$ (107,666) |
| Non-controlling interests of Matrix Precision | (18,039) | (19,774) | (74,129) | (47,851) |
| | \$ (36,852) | \$ (68,469) | \$ (166,527) | \$ (155,517) |
| Total comprehensive loss attributable to: | | | | |
| Owners of Matrix Precision | \$ (18,715) | \$ (48,434) | \$ (92,471) | \$ (107,455) |
| Non-controlling interests of Matrix Precision | (17,944) | (19,668) | (74,204) | (47,806) |
| | \$ (36,659) | \$ (68,102) | \$ (166,675) | \$ (155,261) |
| Net cash inflow (outflow) from: | | | | |
| Operating activities | | | \$ (59,607) | \$ (162,368) |
| Investing activities | | | (5,621) | (787,371) |
| Financing activities | | | 98,912 | 1,009,105 |
| Net cash inflow | | | \$ 33,684 | \$ 59,366 |

Hiwin Schweiz

| | September 30, 2020 |
|--|-----------------------|
| Current assets | \$ 271,162 |
| Non-current assets | 43,957 |
| Current liabilities | (44,954) |
| Non-current liabilities | (31,875) |
| Equity | \$ 238,290 |
| Equity attributable to: | |
| Owners of Hiwin Schweiz | \$ 164,420 |
| Non-controlling interests of Hiwin Schweiz | 73,870 |
| | \$ 238,290 |

| | For the Three Months Ended September 30, 2020 | For the Six Months Ended September 30, 2020 |
|--|--|--|
| Revenue | \$ 76,789 | \$ 139,025 |
| Net income for the period | \$ 4,606 | \$ 7,818 |
| Other comprehensive income (loss) for the period | <u>3,473</u> | <u>1,554</u> |
| Total comprehensive income for the period | <u>\$ 8,079</u> | <u>\$ 9,372</u> |
| Income and total comprehensive income attributable to: | | |
| Owners of Hiwin Schweiz | \$ 5,575 | \$ 6,467 |
| Non-controlling interests of Hiwin Schweiz | <u>2,504</u> | <u>2,905</u> |
| | <u>\$ 8,079</u> | <u>\$ 9,372</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | | \$ 4,015 |
| Investing activities | | (6,836) |
| Financing activities | | <u>(3,119)</u> |
| Net cash outflow | | <u>\$ (5,940)</u> |

Matrix

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | September 30, 2020 | December 31, 2019 | September 30, 2019 | |
|---|--|----------------------|---|-----------|
| Associates that are not individually material | \$ 208,674 | \$ 192,144 | \$ 199,361 | |
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| The Group's share of: | | | | |
| Profit for the period | \$ 7,248 | \$ 4,574 | \$ 18,324 | \$ 13,746 |
| Other comprehensive income (loss) for the period | - | - | - | - |
| Total comprehensive income for the period | \$ 7,248 | \$ 4,574 | \$ 18,324 | \$ 13,746 |

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

13. PROPERTY, PLANT AND EQUIPMENT

| | For the Nine Months Ended September 30, 2020 | | | | | | |
|--|--|---|---------------------|-----------------------|------------------------|----------------------------|----------------------|
| | Beginning Balance | Acquisitions Through Business Combination (Note 23) | Additions | Disposals | Reclassified Amount | Translation Adjustments | Ending Balance |
| <u>Cost</u> | | | | | | | |
| Land | \$ 5,598,313 | \$ - | \$ 22 | \$ (80,898) | \$ - | \$ (5,667) | \$ 5,511,770 |
| Buildings and improvements | 13,715,699 | - | 27,328 | (388,419) | 179,604 | (10,093) | 13,524,119 |
| Machinery and equipment | 15,985,180 | 3,978 | 183,920 | (1,397,619) | 794,908 | (1,978) | 15,568,389 |
| Transportation equipment | 203,152 | 9,445 | 20,086 | (24,510) | - | 1,010 | 209,183 |
| Leasehold improvements | 118,293 | - | 584 | (1,740) | - | (943) | 116,194 |
| Miscellaneous equipment | 2,795,397 | 4,295 | 70,311 | (69,650) | 29,744 | (3,409) | 2,826,688 |
| Construction in progress | 671,639 | - | 411,587 | - | (179,604) | (2,105) | 901,517 |
| | <u>39,087,673</u> | <u>\$ 17,718</u> | <u>\$ 713,838</u> | <u>\$ (1,962,836)</u> | <u>\$ 824,652</u> | <u>\$ (23,185)</u> | <u>38,657,860</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Buildings and improvements | 1,826,396 | \$ - | \$ 251,784 | \$ (142,136) | \$ - | \$ 2,138 | 1,938,182 |
| Machinery and equipment | 7,168,883 | 1,185 | 1,272,251 | (1,389,941) | - | (1,727) | 7,050,651 |
| Transportation equipment | 104,874 | 4,385 | 25,437 | (18,518) | - | 511 | 116,689 |
| Leasehold improvements | 103,480 | - | 4,115 | (1,740) | - | (614) | 105,241 |
| Miscellaneous equipment | 1,604,612 | 1,306 | 209,556 | (64,048) | - | (1,681) | 1,749,745 |
| | <u>10,808,245</u> | <u>\$ 6,876</u> | <u>\$ 1,763,143</u> | <u>\$ (1,616,383)</u> | <u>\$ -</u> | <u>\$ (1,373)</u> | <u>10,960,508</u> |
| | <u>\$ 28,279,428</u> | | | | | | <u>\$ 27,697,352</u> |

For the Nine Months Ended September 30, 2019

| | Beginning Balance | Adjustments on Initial Application of IFRS 16 | Beginning Balance (Restated) | Additions | Disposals | Reclassified Amount | Translation Adjustments | Ending Balance |
|--|----------------------|---|------------------------------|---------------------|---------------------|---------------------|-------------------------|----------------------|
| <u>Cost</u> | | | | | | | | |
| Land | \$ 3,990,126 | \$ - | \$ 3,990,126 | \$ 647,406 | \$ - | \$ 782,606 | \$ 3,929 | \$ 5,424,067 |
| Buildings and improvements | 9,997,986 | - | 9,997,986 | 93,328 | (3,204) | 2,262,719 | (54,348) | 12,296,481 |
| Machinery and equipment | 14,678,814 | - | 14,678,814 | 455,447 | (637,350) | 1,191,664 | (17,560) | 15,671,015 |
| Transportation equipment | 194,485 | - | 194,485 | 31,879 | (11,817) | 1,432 | (4,898) | 211,081 |
| Leased assets | 6,802 | (6,802) | - | - | - | - | - | - |
| Leasehold improvements | 110,441 | - | 110,441 | 4,090 | - | 4,413 | (583) | 118,361 |
| Miscellaneous equipment | 2,345,440 | - | 2,345,440 | 143,109 | (32,034) | 110,266 | (6,380) | 2,560,401 |
| Construction in progress | 3,610,609 | - | 3,610,609 | 682,582 | - | (2,263,808) | (7,778) | 2,021,605 |
| Prepayments for land | 23,112 | - | 23,112 | 959,468 | - | (785,160) | - | 197,420 |
| | <u>34,957,815</u> | <u>\$ (6,802)</u> | <u>\$ 34,951,013</u> | <u>\$ 3,017,309</u> | <u>\$ (684,405)</u> | <u>\$ 1,304,132</u> | <u>\$ (87,618)</u> | <u>38,500,431</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Buildings and improvements | 1,525,719 | \$ - | \$ 1,525,719 | \$ 218,084 | \$ (3,204) | \$ - | \$ (7,546) | 1,733,053 |
| Machinery and equipment | 6,598,831 | - | 6,598,831 | 1,215,176 | (632,480) | - | (6,424) | 7,175,103 |
| Transportation equipment | 96,771 | - | 96,771 | 24,321 | (11,566) | - | (2,622) | 106,904 |
| Leased assets | 6,149 | (6,149) | - | - | - | - | - | - |
| Leasehold improvements | 93,780 | - | 93,780 | 4,944 | - | 3,760 | (191) | 102,293 |
| Miscellaneous equipment | 1,409,670 | - | 1,409,670 | 181,590 | (30,680) | - | (3,851) | 1,556,729 |
| | <u>9,730,920</u> | <u>\$ (6,149)</u> | <u>\$ 9,724,771</u> | <u>\$ 1,644,115</u> | <u>\$ (677,930)</u> | <u>\$ 3,760</u> | <u>\$ (20,634)</u> | <u>10,674,082</u> |
| | <u>\$ 25,226,895</u> | | | | | | | <u>\$ 27,826,349</u> |

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

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying amounts</u> | | | |
| Land | \$ 331,659 | \$ 345,596 | \$ 352,311 |
| Buildings | 383,430 | 423,772 | 450,036 |
| Transportation equipment | 25,497 | 21,829 | 20,115 |
| Miscellaneous equipment | <u>780</u> | <u>1,293</u> | <u>1,319</u> |
| | <u>\$ 741,366</u> | <u>\$ 792,490</u> | <u>\$ 823,781</u> |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-----------|---|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Additions to right-of-use assets | \$ 4,957 | \$ 54,895 | \$ 12,194 | \$ 74,503 |
| Acquisitions through business combination (Note 23) | \$ - | \$ - | \$ 32,540 | \$ - |
| Depreciation charge for right-of-use assets | | | | |
| Land | \$ 5,092 | \$ 5,089 | \$ 15,277 | \$ 15,386 |
| Buildings | 39,592 | 38,258 | 120,005 | 112,117 |
| Transportation equipment | 2,150 | 2,094 | 6,246 | 6,179 |
| Miscellaneous equipment | 163 | 164 | 499 | 488 |
| | \$ 46,997 | \$ 45,605 | \$ 142,027 | \$ 134,170 |

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

b. Lease liabilities

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying amounts</u> | | | |
| Current | \$ 156,613 | \$ 157,851 | \$ 156,823 |
| Non-current | \$ 436,743 | \$ 482,527 | \$ 509,259 |

Range of discount rate for lease liabilities is as follows:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Land | 1.45%-1.50% | 1.45%-1.50% | 1.45%-1.50% |
| Buildings | 1.45%-4.10% | 1.45%-4.10% | 1.45%-4.10% |
| Transportation equipment | 1.48%-4.10% | 1.48%-4.10% | 1.48%-4.10% |
| Miscellaneous equipment | 1.48%-4.10% | 1.48%-4.10% | 1.48%-4.10% |

c. Material lease-in activities and terms

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

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

d. Other lease information

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------|---|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Expenses relating to short-term leases | \$ 2,202 | \$ 7,310 | \$ 6,789 | \$ 20,991 |
| Expenses relating to low-value asset leases | \$ 1,007 | \$ 591 | \$ 2,211 | \$ 1,828 |
| Total cash outflow for leases | \$ (50,874) | \$ (54,265) | \$ (152,458) | \$ (160,830) |

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:

| Date of Initial Cost Contribution | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| Within 1 year | \$ 522,141 | \$ 699,983 | \$ 926,805 |
| 1-2 years | 476,770 | 1,111,265 | 1,432,908 |
| 2-5 years | 943,702 | 474,946 | 359,730 |
| More than 5 years | <u>12,515</u> | <u>6,918</u> | <u>11,415</u> |
| | \$ <u>1,955,128</u> | \$ <u>2,293,112</u> | \$ <u>2,730,858</u> |

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

16. BORROWINGS

a. Short-term borrowings

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Secured borrowings</u> (Note 28) | | | |
| Working capital loans | \$ 3,533,679 | \$ 3,226,538 | \$ 3,174,443 |
| Loans for export sales | 1,008,000 | 1,000,000 | 1,000,000 |
| Loans for purchasing raw material | 21,081 | 25,269 | 18,275 |
| Letters of credit | <u>-</u> | <u>2,622</u> | <u>15,263</u> |
| | 4,562,760 | 4,254,429 | 4,207,981 |

(Continued)

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Unsecured borrowings</u> | | | |
| Line of credit borrowings | \$ 4,610,000 | \$ 5,507,988 | \$ 6,758,624 |
| | <u>\$ 9,172,760</u> | <u>\$ 9,762,417</u> | <u>\$ 10,966,605</u> |
| <u>Interest rates per annum (%)</u> | | | |
| Working capital loans | 0.25-3.63 | 0.24-3.65 | 0.28-3.65 |
| Loans for export sales | 0.51-1.33 | 0.81 | 0.81 |
| Loans for purchasing raw material | 1.55-1.56 | 1.37-1.90 | 1.55-1.90 |
| Letters of credit | - | 1.15 | 1.22-1.81 |
| Line of credit borrowings | 0.82-0.97 | 0.82-3.65 | 0.82-3.65 |

b. Long-term borrowings

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Secured borrowings (Note 28)</u> | | | |
| Secured loans | \$ 7,648,280 | \$ 8,981,491 | \$ 8,306,058 |
| <u>Unsecured borrowings</u> | | | |
| Unsecured loans | <u>808,298</u> | <u>371,052</u> | <u>240,388</u> |
| | 8,456,578 | 9,352,543 | 8,546,446 |
| Less: Current portion | <u>(1,281,311)</u> | <u>(1,519,285)</u> | <u>(1,546,361)</u> |
| Long-term borrowings | <u>\$ 7,175,267</u> | <u>\$ 7,833,258</u> | <u>\$ 7,000,085</u> |
| <u>Interest rates per annum (%)</u> | | | |
| Secured loans | 0.36-4.90 | 1.03-4.90 | 1.03-4.90 |
| Unsecured loans | 0.70-4.90 | 1.05-4.90 | 1.05-4.90 |

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowing. As of September 30, 2020, \$23,500 thousand was drawn down for the purchase of machinery and equipment. The Corporation recognized \$501 thousand, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, as a government grant, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

17. OTHER PAYABLES

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| Payables for salaries and bonuses | \$ 528,222 | \$ 597,117 | \$ 524,104 |
| Payables for employees' compensation | 183,973 | 152,322 | 534,016 |
| Payables for annual leave | 137,304 | 124,915 | 153,868 |
| Payables for purchase of equipment | 111,536 | 200,671 | 97,823 |
| Payables for remuneration of directors | 60,581 | 74,652 | 75,447 |
| Others | <u>348,235</u> | <u>391,747</u> | <u>466,712</u> |
| | <u>\$ 1,369,851</u> | <u>\$ 1,541,424</u> | <u>\$ 1,851,970</u> |

18. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the pension expenses of defined benefit plans were \$1,078 thousand, \$1,671 thousand, \$3,234 thousand, and \$5,014 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2019 and 2018, respectively.

19. EQUITY

a. Ordinary shares

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| Number of shares authorized (in thousands) | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Shares authorized | <u>\$ 10,000,000</u> | <u>\$ 10,000,000</u> | <u>\$ 10,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>318,866</u> | <u>309,579</u> | <u>309,579</u> |
| Shares issued | <u>\$ 3,188,663</u> | <u>\$ 3,095,789</u> | <u>\$ 3,095,789</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to 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 Securities and Futures Bureau (SFB), FSC. The board of directors determined November 11, 2020 as the base date for subscription, and the payment period for the subscription is from November 13, 2020 to December 21, 2020.

b. Capital surplus

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-----------------------|----------------------|-----------------------|
| May be used to offset a deficit, distributed as <u>cash, or transferred to share capital (1)</u> | | | |
| Issuance of ordinary shares | \$ 3,230,834 | \$ 3,230,834 | \$ 3,230,834 |
| <u>May only be used to offset a deficit</u> | | | |
| Changes in percentage of ownership interests in subsidiaries (2) | 84,098 | - | - |
| Invalid employee shares | <u>5,440</u> | <u>5,440</u> | <u>5,440</u> |
| | <u>\$ 3,320,372</u> | <u>\$ 3,236,274</u> | <u>\$ 3,236,274</u> |

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

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 28, 2019 and in that meeting, resolved the amendments to the Articles of Incorporation of the Corporation. Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Corporation's profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Corporation's total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Employees' compensation and remuneration of directors in Note 20-c.

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

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

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

The issue of stock dividends of 2019 was approved by the SFB, and the ex-right and ex-dividend date was determined at August 18, 2020, by the board of directors.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

| | For the Three Months Ended | | For the Nine Months Ended | |
|-------------------------------|-----------------------------------|------------------|----------------------------------|-------------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Interest on bank loans | \$ 49,741 | \$ 51,511 | \$ 160,312 | \$ 130,399 |
| Interest on lease liabilities | <u>2,563</u> | <u>2,805</u> | <u>8,000</u> | <u>8,649</u> |
| | <u>\$ 52,304</u> | <u>\$ 54,316</u> | <u>\$ 168,312</u> | <u>\$ 139,048</u> |

Information about capitalized interest is as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|--------------------------|-----------------------------------|-------------|----------------------------------|-------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Capitalized interest | \$ 7,096 | \$ 12,300 | \$ 19,696 | \$ 39,500 |
| Capitalization rates (%) | 1.10-4.90 | 1.22-1.90 | 1.08-4.90 | 1.22-1.90 |

b. Employee benefits expense, depreciation and amortization expenses

| | Operating Costs | Operating Expenses | Total |
|--|------------------------|---------------------------|--------------|
| <u>For the Three Months Ended September 30, 2020</u> | | | |
| Short-term employee benefits | \$ 871,052 | \$ 545,126 | \$ 1,416,178 |
| Post-employment benefits | | | |
| Defined contribution plans | 24,844 | 15,674 | 40,518 |
| Defined benefit plans (Note 18) | 888 | 190 | 1,078 |
| Other employee benefits | 33,065 | 12,825 | 45,890 |
| Depreciation expenses | 465,951 | 106,786 | 572,737 |
| Amortization expenses | 6,180 | 7,857 | 14,037 |

| | Operating Costs | Operating Expenses | Total |
|--|----------------------------|-------------------------------|--------------|
| <u>For the Three Months Ended September 30, 2019</u> | | | |
| Short-term employee benefits | \$ 603,660 | \$ 494,925 | \$ 1,098,585 |
| Post-employment benefits | | | |
| Defined contribution plans | 24,130 | 17,935 | 42,065 |
| Defined benefit plans (Note 18) | 1,342 | 329 | 1,671 |
| Other employee benefits | 38,131 | 6,660 | 44,791 |
| Depreciation expenses | 461,418 | 91,032 | 552,450 |
| Amortization expenses | 6,912 | 7,632 | 14,544 |
| <u>For the Nine Months Ended September 30, 2020</u> | | | |
| Short-term employee benefits | 2,324,643 | 1,543,001 | 3,867,644 |
| Post-employment benefits | | | |
| Defined contribution plans | 68,629 | 48,352 | 116,981 |
| Defined benefit plans (Note 18) | 2,592 | 642 | 3,234 |
| Other employee benefits | 98,236 | 35,985 | 134,221 |
| Depreciation expenses | 1,426,174 | 294,910 | 1,721,084 |
| Amortization expenses | 22,535 | 22,208 | 44,743 |
| <u>For the Nine Months Ended September 30, 2019</u> | | | |
| Short-term employee benefits | 2,069,689 | 1,540,607 | 3,610,296 |
| Post-employment benefits | | | |
| Defined contribution plans | 83,702 | 53,012 | 136,714 |
| Defined benefit plans (Note 18) | 4,128 | 886 | 5,014 |
| Other employee benefits | 138,620 | 33,543 | 172,163 |
| Depreciation expenses | 1,358,617 | 270,232 | 1,628,849 |
| Amortization expenses | 20,400 | 23,160 | 43,560 |

c. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and the remuneration of directors and supervisors. For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors were as follows:

| Accrual rate | For the Nine Months Ended September 30 | |
|---------------------------|---|-------------|
| | 2020 | 2019 |
| Employees' compensation | <u>6.4%</u> | <u>5.7%</u> |
| Remuneration of directors | <u>3.2%</u> | <u>2.8%</u> |

| Amount | For the Three Months Ended | | For the Nine Months Ended | |
|---------------------------|----------------------------|-----------|---------------------------|------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Employees' compensation | \$ 91,233 | \$ 30,503 | \$ 121,163 | \$ 150,893 |
| Remuneration of directors | \$ 45,616 | \$ 15,252 | \$ 60,581 | \$ 75,447 |

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

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

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

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

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

21. INCOME TAXES

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

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|----------------------------|------------|---------------------------|------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Current tax | | | | |
| In respect of the current period | \$ 160,648 | \$ 78,320 | \$ 279,351 | \$ 478,282 |
| Income tax on unappropriated earnings | (11,870) | - | 54,820 | 145,476 |
| Land value increment tax | 34,729 | - | 34,729 | - |
| Adjustments for prior periods | 3,393 | 31,435 | 23,403 | 36,545 |
| Deferred tax | | | | |
| In respect of the current period | 4,783 | 1,026 | 72,537 | 70,796 |
| Income tax expense recognized in profit or loss | \$ 191,683 | \$ 110,781 | \$ 464,840 | \$ 731,099 |

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

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

In addition, in accordance with Rule No. 10904558730 issued by the MOF, when calculating the tax on unappropriated earnings for 2018, 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.

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------------------|--|-------------|---|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| <u>Deferred tax</u> | | | | |
| In respect of the current period | | | | |
| Translation of foreign operations | \$ 16,332 | \$ (32,472) | \$ (2,227) | \$ (20,820) |

c. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2017, 2018 and 2018, respectively, 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 Shares (NT\$) |
|---|---|---------------------------------------|----------------------------------|
| <u>For the Three Months Ended September 30, 2020</u> | | | |
| Basic earnings per share | | | |
| Profit for the period attributable to owners of the Corporation | \$ 926,442 | 318,866 | <u>\$ 2.91</u> |
| Effect of potentially dilutive ordinary shares: | | | |
| Employees' compensation | <u>-</u> | <u>425</u> | |
| Diluted earnings per share | | | |
| Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares | <u>\$ 926,442</u> | <u>319,291</u> | <u>\$ 2.90</u> |

| | Net profit Attributable to Owners of the Corporation | Number of Shares (In Thousands) | Earnings Per Shares (NT\$) |
|---|---|--|---|
| <u>For the Three Months Ended September 30, 2019</u> | | | |
| Basic earnings per share | | | |
| Profit for the period attributable to owners of the Corporation | \$ 389,025 | 318,866 | <u>\$ 1.22</u> |
| Effect of potentially dilutive ordinary shares: | | | |
| Employees' compensation | <u>-</u> | <u>558</u> | |
| Diluted earnings per share | | | |
| Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares | <u>\$ 389,025</u> | <u>319,424</u> | <u>\$ 1.22</u> |
| <u>For the Nine Months Ended September 30, 2020</u> | | | |
| Basic earnings per share | | | |
| Profit for the period attributable to owners of the Corporation | \$ 1,362,194 | 318,866 | <u>\$ 4.27</u> |
| Effect of potentially dilutive ordinary shares: | | | |
| Employees' compensation | <u>-</u> | <u>663</u> | |
| Diluted earnings per share | | | |
| Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares | <u>\$ 1,362,194</u> | <u>319,529</u> | <u>\$ 4.26</u> |
| <u>For the Nine Months Ended September 30, 2019</u> | | | |
| Basic earnings per share | | | |
| Profit for the period attributable to owners of the Corporation | \$ 1,826,876 | 318,866 | <u>\$ 5.73</u> |
| Effect of potentially dilutive ordinary shares: | | | |
| Employees' compensation | <u>-</u> | <u>1,134</u> | |
| Diluted earnings per share | | | |
| Profit for the period attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares | <u>\$ 1,826,876</u> | <u>320,000</u> | <u>\$ 5.71</u> |

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the issuance of bonus shares on August 18, 2020. The basic and diluted earnings per share adjusted retrospectively for the three months ended September 30, 2019 and for the nine months ended September 30, 2019 were as follows:

Unit: NT\$ Per Share

| | <u>Before Retrospective Adjustment</u> | | <u>After Retrospective Adjustment</u> | |
|----------------------------|--|---|--|---|
| | <u>For the Three Months Ended September 30, 2019</u> | <u>For the Nine Months Ended September 30, 2019</u> | <u>For the Three Months Ended September 30, 2019</u> | <u>For the Nine Months Ended September 30, 2019</u> |
| Basic earnings per share | <u>\$ 1.26</u> | <u>\$ 5.90</u> | <u>\$ 1.22</u> | <u>\$ 5.73</u> |
| Diluted earnings per share | <u>\$ 1.25</u> | <u>\$ 5.88</u> | <u>\$ 1.22</u> | <u>\$ 5.71</u> |

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

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 area 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 | | 10,842 |
| Right-of-use assets | | 32,540 |
| Other non-current assets | | 157 |
| Current liabilities | | |
| Trade and other payables | | (52,393) |
| Lease liabilities - current | | (6,191) |
| Other current liabilities | | (6,795) |
| Non-current liabilities | | |
| Lease liabilities - non-current | | (26,349) |
| Other non-current liabilities | | <u>(8,486)</u> |
| | | <u>\$ 228,917</u> |

c. Gain from bargain purchase on acquisition

| | |
|--|------------------|
| Consideration transferred | \$ 66,300 |
| Less: Fair value of identifiable net assets acquired | <u>(114,459)</u> |

| | |
|---|--------------------|
| Gain from bargain purchase on acquisition | <u>\$ (48,159)</u> |
|---|--------------------|

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

d. Net cash inflow on acquisition of subsidiaries

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

| | |
|--|--------------------|
| | <u>\$ (12,648)</u> |
|--|--------------------|

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

On January 14, April 1 and April 30, 2019, the Corporation acquired additional shares of Matrix Precision; thus, the Corporation's continuing interest increased from 58% to 71%.

On July 1, 2019, the Corporation acquired additional shares of Matrix; thus, the Corporation's continuing interest increased from 52% to 100%.

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

25. 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 and Level 3 inputs.

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

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

b. Categories of financial instruments

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| FVTPL | | | |
| Mandatorily classified as at FVTPL | \$ 3,031 | \$ 2,584 | \$ 12,303 |
| Financial assets at amortized cost (1) | 8,906,670 | 6,920,057 | 7,801,620 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 876,173 | 1,026,394 | 1,003,104 |
| <u>Financial liabilities</u> | | | |
| FVTPL | | | |
| Mandatorily classified as at FVTPL | 12,911 | 29 | 183 |
| Financial liabilities at amortized cost (2) | 22,161,373 | 22,938,768 | 23,898,390 |

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

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 strengthened by 1% against the relevant foreign currency, the post-tax profit for the nine months ended September 30, 2020 and 2019 would have decreased by \$53,749 thousand and \$48,661 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 are as follows.

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fair value interest rate risk | | | |
| Deposits in bank | \$ 94,239 | \$ 222,926 | \$ 157,778 |
| Lease liabilities | 593,356 | 640,378 | 666,082 |
| Short-term borrowings | 750,000 | 2,020,000 | - |
| Long-term borrowings | 345,926 | 302,923 | - |

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|------------------------------|-------------------------------|------------------------------|-------------------------------|
| Cash flow interest rate risk | | | |
| Deposits in bank | \$ 2,504,205 | \$ 1,720,881 | \$ 1,892,236 |
| Short-term borrowings | 8,422,760 | 7,742,417 | 10,966,605 |
| Long-term borrowings | 8,110,652 | 9,049,620 | 8,546,446 |

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 nine months ended September 30, 2020 and 2019 would have decreased by \$84,175 thousand and \$105,725 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 81%, 70% and 80% of the total trade receivables as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized bank loan facilities of \$7,145,640 thousand, \$6,445,816 thousand and \$5,165,796 thousand, respectively.

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

| | Within 1 Year | 1-5 Years | 5+ Years |
|--------------------------------------|----------------------|---------------------|---------------------|
| <u>September 30, 2020</u> | | | |
| Non-derivative financial liabilities | | | |
| Non-interest bearing liabilities | \$ 4,532,035 | \$ - | \$ - |
| Lease liabilities | 167,624 | 316,614 | 149,901 |
| Fixed interest rate liabilities | 803,816 | 198,888 | 93,222 |
| Variable interest rate liabilities | <u>9,650,255</u> | <u>3,294,857</u> | <u>3,588,300</u> |
| | <u>\$ 15,153,730</u> | <u>\$ 3,810,359</u> | <u>\$ 3,831,423</u> |
| Derivative financial liabilities | | | |
| Foreign exchange forward contracts | <u>\$ 12,911</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>December 31, 2019</u> | | | |
| Non-derivative financial liabilities | | | |
| Non-interest bearing liabilities | \$ 3,823,808 | \$ - | \$ - |
| Lease liabilities | 169,695 | 351,492 | 188,578 |
| Fixed interest rate liabilities | 2,063,432 | 152,468 | 107,023 |
| Variable interest rate liabilities | <u>9,218,270</u> | <u>3,658,858</u> | <u>3,914,909</u> |
| | <u>\$ 15,275,205</u> | <u>\$ 4,162,818</u> | <u>\$ 4,210,510</u> |
| Derivative financial liabilities | | | |
| Foreign exchange forward contracts | <u>\$ 29</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>September 30, 2019</u> | | | |
| Non-derivative financial liabilities | | | |
| Non-interest bearing liabilities | \$ 4,385,339 | \$ - | \$ - |
| Lease liabilities | 168,490 | 353,971 | 191,743 |
| Variable interest rate liabilities | <u>12,512,966</u> | <u>3,637,760</u> | <u>3,362,325</u> |
| | <u>\$ 17,066,795</u> | <u>\$ 3,991,731</u> | <u>\$ 3,554,068</u> |
| Derivative financial liabilities | | | |
| Foreign exchange forward contracts | <u>\$ 183</u> | <u>\$ -</u> | <u>\$ -</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years |
|---------------------------|---------------------|-------------------|-------------------|------------------|------------------|
| <u>September 30, 2020</u> | | | | | |
| Lease liabilities | <u>\$ 167,624</u> | <u>\$ 316,614</u> | <u>\$ 86,341</u> | <u>\$ 52,217</u> | <u>\$ 11,343</u> |
| <u>December 31, 2019</u> | | | | | |
| Lease liabilities | <u>\$ 169,695</u> | <u>\$ 351,492</u> | <u>\$ 110,698</u> | <u>\$ 57,475</u> | <u>\$ 20,405</u> |
| <u>September 30, 2019</u> | | | | | |
| Lease liabilities | <u>\$ 168,490</u> | <u>\$ 353,971</u> | <u>\$ 116,985</u> | <u>\$ 54,592</u> | <u>\$ 20,166</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 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 |
| Coventry Matrix Technologies Ltd. | Others (No longer a related party since July 1, 2019) |
| Hiwin Mikrosystem | Others |
| Hiwin Investment and Holding Corporation | Others |
| Hiwin Technologies Foundation in Education (Hiwin Education Foundation) | Others |
| All Horng Gear Industry Co., Ltd | Others |
| Taiwan Gong Ji Chang Co., Ltd | Others |

b. Operating transactions

| | <u>For the Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
|-------------------|--|------------------|---|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 1) Sales of goods | | | | |
| Associates | \$ 39,474 | \$ 47,951 | \$ 126,497 | \$ 149,074 |
| Others | <u>16,061</u> | <u>15,396</u> | <u>80,010</u> | <u>47,123</u> |
| | <u>\$ 55,535</u> | <u>\$ 63,347</u> | <u>\$ 206,507</u> | <u>\$ 196,197</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 Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
|-----------------------|--|-------------------|---|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 2) Purchases of goods | | | | |
| Others | \$ 127,315 | \$ 152,217 | \$ 374,182 | \$ 491,228 |
| Associates | <u>-</u> | <u>-</u> | <u>28</u> | <u>-</u> |
| | <u>\$ 127,315</u> | <u>\$ 152,217</u> | <u>\$ 374,210</u> | <u>\$ 491,228</u> |

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

3) Other operating transactions

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------------------|---|-------------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Non-operating income - other income | | | | |
| Others | <u>\$ 738</u> | <u>\$ 1,007</u> | <u>\$ 996</u> | <u>\$ 2,317</u> |
| Manufacturing and operating expenses | | | | |
| Others | <u>\$ 685</u> | <u>\$ 1,015</u> | <u>\$ 2,476</u> | <u>\$ 2,559</u> |
| Operating expenses - donations | | | | |
| Hiwin Education Foundation | <u>\$ 1,500</u> | <u>\$ 18,000</u> | <u>\$ 8,000</u> | <u>\$ 18,000</u> |
| | | September 30, 2020 | December 31, 2019 | September 30, 2019 |
| 4) Notes receivable | | | | |
| Others | | <u>\$ 723</u> | <u>\$ 878</u> | <u>\$ 1,116</u> |
| 5) Trade receivables | | | | |
| Associates | | \$ 18,553 | \$ 15,724 | \$ 19,348 |
| Others | | <u>3,118</u> | <u>1,628</u> | <u>2,126</u> |
| | | <u>\$ 21,671</u> | <u>\$ 17,352</u> | <u>\$ 21,474</u> |
| 6) Other receivables (classified as other current assets) | | | | |
| Others | | <u>\$ 197</u> | <u>\$ 515</u> | <u>\$ 11</u> |
| 7) Contract liabilities - current | | | | |
| Others | | <u>\$ 1,790</u> | <u>\$ -</u> | <u>\$ -</u> |
| 8) Trade payables | | | | |
| Others | | <u>\$ 137,488</u> | <u>\$ 131,925</u> | <u>\$ 178,748</u> |
| 9) Other payables | | | | |
| Others | | <u>\$ 298</u> | <u>\$ 554</u> | <u>\$ 1,418</u> |

c. Acquisition of property, plant and equipment

| | Purchase Price | |
|--------|----------------------------------|-----------------|
| | For the Nine Months Ended | |
| | September 30 | |
| | 2020 | 2019 |
| Others | \$ <u>3,253</u> | \$ <u>5,400</u> |

d. Lease arrangements

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

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

Lease liabilities

| | | | | |
|--------|-----------------------------------|-----------------|----------------------------------|-------------|
| Others | \$ <u>3,120</u> | \$ <u>6,304</u> | \$ <u>2,276</u> | |
| | For the Three Months Ended | | For the Nine Months Ended | |
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |

Finance costs

| | | | | |
|--------|--------------|-------------|--------------|--------------|
| Others | \$ <u>12</u> | \$ <u>9</u> | \$ <u>49</u> | \$ <u>31</u> |
|--------|--------------|-------------|--------------|--------------|

e. Compensation of key management personnel

| | For the Three Months Ended | | For the Nine Months Ended | |
|------------------------------|-----------------------------------|------------------|----------------------------------|-------------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Short-term employee benefits | \$ 67,555 | \$ 42,220 | \$ 162,424 | \$ 202,842 |
| Post-employment benefits | 193 | 207 | 1,084 | 563 |
| Termination benefits | <u>-</u> | <u>-</u> | <u>1,060</u> | <u>952</u> |
| | <u>\$ 67,748</u> | <u>\$ 42,427</u> | <u>\$ 164,568</u> | <u>\$ 204,357</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 were provided as collateral for short-term and long-term bank borrowings:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| Property, plant and equipment | \$ 15,781,660 | \$ 16,769,287 | \$ 15,786,169 |
| Right-of-use assets | 74,237 | 76,142 | 77,368 |
| Pledged bank deposits (classified as other current assets) | <u>2,000</u> | <u>5,300</u> | <u>5,300</u> |
| | <u>\$ 15,857,897</u> | <u>\$ 16,850,729</u> | <u>\$ 15,868,837</u> |

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of September 30, 2020, December 31, 2019 and September 30, 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$261,499 thousand, \$150,507 thousand and \$102,116 thousand, respectively.
- b. As of September 30, 2020, December 31, 2019 and September 30, 2019, commitments for the acquisition of property, plant and equipment amounted to \$1,036,868 thousand, \$1,275,485 thousand and \$1,613,298 thousand, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

| | September 30, 2020 | | | December 31, 2019 | | |
|------------------------------|---------------------|------------------|--------------------|---------------------|------------------|--------------------|
| | Foreign Currency | Exchange Rate | Carrying Amount | Foreign Currency | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 19,168 | 29.100 | \$ 557,775 | \$ 17,384 | 29.980 | \$ 521,175 |
| EUR | 28,199 | 34.15 | 963,003 | 28,963 | 33.59 | 972,871 |
| JPY | 1,949,048 | 0.2756 | 537,158 | 1,957,608 | 0.2760 | 540,300 |
| CNY | 1,154,278 | 4.269 | 4,927,611 | 758,276 | 4.305 | 3,264,379 |
| Non-monetary items | | | | | | |
| USD | 5,017 | 29.100 | 145,995 | 5,017 | 29.980 | 150,410 |
| ILS | 13,407 | 8.417 | 112,854 | 11,397 | 8.666 | 98,764 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items | | | | | | |
| USD | 2,876 | 29.100 | 83,706 | 3,168 | 29.980 | 94,979 |
| EUR | 2,368 | 34.15 | 80,878 | 747 | 33.59 | 25,098 |
| JPY | 294,377 | 0.2756 | 81,130 | 179,855 | 0.2760 | 49,640 |
| CNY | 4,970 | 4.269 | 21,219 | 2,501 | 4.305 | 10,765 |

| September 30, 2019 | | | |
|------------------------------|-----------------------------|--------------------------|----------------------------|
| | Foreign Currency | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 18,325 | 31.04 | \$ 568,812 |
| EUR | 33,923 | 33.95 | 1,151,675 |
| JPY | 1,998,534 | 0.2878 | 575,178 |
| CNY | 914,496 | 4.350 | 3,978,059 |
| Non-monetary items | | | |
| USD | 5,017 | 31.04 | 155,728 |
| ILS | 11,145 | 8.930 | 99,519 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 2,729 | 31.04 | 84,720 |
| EUR | 1,200 | 33.95 | 40,750 |
| JPY | 170,584 | 0.2878 | 49,094 |
| CNY | 3,794 | 4.350 | 16,505 |

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

| Foreign Currency | For the Three Months Ended September 30, 2020 | | For the Three Months Ended September 30, 2019 | |
|-----------------------------|--|--------------------------------------|--|--------------------------------------|
| | Exchange Rate | Net Foreign Exchange Gain | Exchange Rate | Net Foreign Exchange Loss |
| NTD | 1 (NTD:NTD) | <u>\$ 106,167</u> | 1 (NTD:NTD) | <u>\$(195,856)</u> |
| Foreign Currency | For the Nine Months Ended September 30, 2020 | | For the Nine Months Ended September 30, 2019 | |
| | Exchange Rate | Net Foreign Exchange Gain | Exchange Rate | Net Foreign Exchange Loss |
| NTD | 1 (NTD:NTD) | <u>\$ 38,849</u> | 1 (NTD:NTD) | <u>\$(95,638)</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 jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (Notes 7 and 26)
 - 10) Others: intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information on investees. (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Tables 5 and 7)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (None)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

32. SEGMENT INFORMATION

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

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

| | For the Nine Months Ended September 30 | | | |
|---|---|----------------------|-----------------------|---------------------|
| | Segment Revenue | | Segment Profit | |
| | 2020 | 2019 | 2020 | 2019 |
| Linear guideways | \$ 9,856,835 | \$ 11,108,245 | \$ 1,278,307 | \$ 2,527,616 |
| Ballscrews | 2,843,321 | 2,742,767 | 200,324 | 208,737 |
| Others | <u>2,415,624</u> | <u>2,344,602</u> | <u>(215,417)</u> | <u>(277,133)</u> |
| Total from continuing operations | <u>\$ 15,115,780</u> | <u>\$ 16,195,614</u> | 1,263,214 | 2,459,220 |
| Subsidy revenue | | | 29,586 | 26,284 |
| Finance costs | | | (168,312) | (139,048) |
| Share of profit of associates accounted for using the equity method | | | 18,324 | 13,746 |
| Interest income | | | 10,534 | 8,963 |
| Gain from bargain purchase | | | 48,159 | - |
| Other income | | | 119,170 | 131,589 |
| Gain (loss) on disposal of property, plant and equipment | | | 341,441 | (2,891) |
| Net foreign exchange gain (loss) | | | 35,497 | (116,884) |
| Valuation gain (loss) on financial assets (liabilities) at FVTPL | | | (24,859) | 11,265 |
| Other expenses | | | <u>(11,931)</u> | <u>(953)</u> |
| Profit before income tax | | | <u>\$ 1,660,823</u> | <u>\$ 2,391,291</u> |

Segment revenue reported above represents revenue generated from external customers. The intersegment sales were eliminated for the nine months ended September 30, 2020 and 2019.

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 4) | Ending Balance (Note 4) | Actual Amount Borrowed (Note 5) | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 3) |
|-----|-----------------|-------------|--|---------------|---|-------------------------|---------------------------------|---------------|------------------------------|-----------------------------|-----------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
| | | | | | | | | | | | | | | Item | Value | | |
| 0 | The Corporation | Hiwin Japan | Other receivables from related parties | Yes | \$ 301,340 | \$ 301,340 | \$ 301,340 | 1.49% | 1 | Sales | \$560,400 | - | \$ - | - | \$ - | \$ 3,677,856 | \$ 7,355,712 |
| 0 | The Corporation | Hiwin Italy | Other receivables from related parties | Yes | 155,289 | 59,242 | 59,242 | 1.49% | 1 | Sales | 457,788 | - | - | - | - | 3,677,856 | 7,355,712 |
| 0 | The Corporation | Hiwin Korea | Other receivables from related parties | Yes | 166,619 | - | - | 1.49% | 2 | | - | Operating capital | - | - | - | 3,677,856 | 7,355,712 |
| 0 | The Corporation | Matrix | Other receivables from related parties | Yes | 39,640 | - | - | 1.49% | 2 | | - | Operating capital | - | - | - | 3,677,856 | 7,355,712 |

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 2 parties.

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

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| No. | Endorser/Guarantor | Endorsee/Guaranteed Party | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1) | Maximum Amount Endorsed/ Guaranteed During the Year (Note 3) | Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4) | Actual Amount Borrowed (Note 4) | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|--------------------|---------------------------|--------------|---|--|---|---------------------------------|--|--|---|--|--|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | The Corporation | Matrix | Subsidiary | \$ 2,451,904 | \$ 79,280 (GBP 2,000) | \$ 74,600 (GBP 2,000) | \$ 44,760 (GBP 1,200) | \$ - | 0.3 | \$ 8,581,664 | Yes | - | - |
| 0 | The Corporation | Hiwin Italy | Subsidiary | 2,451,904 | 350,800 (EUR 10,000) | 341,500 (EUR 10,000) | 110,207 (EUR 3,227) | - | 1.4 | 8,581,664 | Yes | - | - |
| 0 | The Corporation | Eterbright | Subsidiary | 2,451,904 | 2,350,000 | 2,050,000 | 1,757,000 | - | 8.4 | 8,581,664 | Yes | - | - |
| 0 | The Corporation | Hiwin Singapore | Subsidiary | 2,451,904 | 177,780 (USD 6,000) | 174,600 (USD 6,000) | 52,380 (USD 1,800) | - | 0.7 | 8,581,664 | Yes | - | - |
| 0 | The Corporation | Hiwin Korea | Subsidiary | 2,451,904 | 211,750 (USD 7,000) | 203,700 (USD 7,000) | 164,415 (USD 5,650) | - | 0.8 | 8,581,664 | Yes | - | - |
| 0 | The Corporation | Hiwin Japan | Subsidiary | 2,451,904 | 1,284,318 (JPY 4,660,080) | 689,849 (JPY 2,503,080) | 594,103 (JPY 2,155,671) | - | 2.8 | 8,581,664 | Yes | - | - |
| 0 | The Corporation | Matrix Precision | Subsidiary | 2,451,904 | 600,000 | 600,000 | 599,000 | - | 2.4 | 8,581,664 | 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 dollars at the exchange rate prevailing at the end of last month.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | September 30, 2020 | | | | Note |
|----------------------|--|---------------------------------------|--|--------------------|-----------------|-----------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| The Corporation | <u>Government bond</u> Central Government Bond 2012-1 | - | Financial assets at amortized cost - non-current | - | \$ 2,906 | - | \$ 2,906 | |
| | <u>Share capital</u> Hiwin Mikrosystem | - | Financial assets at FVTOCI - non-current | 9,431,363 | 681,888 | 8 | 681,888 | |
| | Ever Fortune. AI Co., Ltd. | - | Financial assets at FVTOCI - non-current | 2,000,000 | 26,362 | 5 | 26,362 | |
| | Taichung International Country Club | - | Financial assets at FVTOCI - non-current | 1 | 2,620 | - | 2,620 | |
| | Sunengine | - | Financial assets at FVTOCI - non-current | 588,149 | - | 10 | - | |
| | King Kong Iron Work Ltd. | - | Financial assets at FVTOCI - non-current | 76,300 | - | - | - | |
| | Kaland | - | Financial assets at FVTOCI - non-current | 323,289 | 165,303 | 19 | 165,303 | |

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

| Seller | Property | Event Date | Original Acquisition Date | Carrying Amount | Transaction Amount | Collection | Gain (Loss) on Disposal | Counterparty | Relationship | Purpose of Disposal | Price Reference | Other Terms |
|-----------------|---|-------------------|----------------------------------|------------------------|---------------------------|-------------------|--------------------------------|---|---------------------|--|--|--------------------|
| The Corporation | Property, plant and accessory equipment on Tanxing Section, Tanzi District, Taichung City, Taiwan | 2020.07.24 | 1982.12.31-2018.12.21 | \$ 333,136 | \$ 680,000 | \$ 680,000 | \$ 302,707 | SHANG HAO BIOMEDICAL TECHNOLOGY CO., LTD. | None | Re-planning and consolidation of production plants and enhancing asset utilization | Valuation amount of \$652,847 thousand appraised by Honest Specialty Appraiser Group | - |

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 NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|-----------------|-------------------|-----------------------|---------------------|----------------|------------|---------------|----------------------|---------------|-------------------------------------|------------|-------|
| | | | Purchase/Sale | Amount (Note) | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note) | % to Total | |
| The Corporation | Hiwin China | Subsidiary | Sale | \$ (1,791,611) | (15%) | O/A 120 days | \$ - | - | \$ 985,528 | 17% | |
| | Hiwin Germany | Subsidiary | Sale | (822,098) | (7%) | O/A 90 days | - | - | 234,917 | 4% | |
| | Hiwin Italy | Subsidiary | Sale | (335,378) | (3%) | O/A 180 days | - | - | 346,764 | 6% | |
| | Hiwin Japan | Subsidiary | Sale | (216,998) | (2%) | O/A 150 days | - | - | 200,477 | 3% | |
| | Hiwin USA | Subsidiary | Sale | (195,413) | (2%) | O/A 120 days | - | - | 87,357 | 1% | |
| | Hiwin Korea | Subsidiary | Sale | (154,084) | (1%) | O/A 180 days | - | - | 91,978 | 2% | |
| | Hiwin China | The Corporation | Parent Company | Purchase | 1,791,611 | 86% | O/A 120 days | - | - | (985,528) | (95%) |
| Hiwin Germany | The Corporation | Parent Company | Purchase | 822,098 | 55% | O/A 90 days | - | - | (234,917) | (82%) | |
| | Hiwin S.R.O. | Other related parties | Sale | (126,315) | (6%) | O/A 45 days | - | - | 18,553 | 10% | |
| Hiwin Italy | The Corporation | Parent Company | Purchase | 335,378 | 70% | O/A 180 days | - | - | (346,764) | (82%) | |
| Hiwin Japan | The Corporation | Parent Company | Purchase | 216,998 | 83% | O/A 150 days | - | - | (200,477) | (92%) | |
| Hiwin USA | The Corporation | Parent Company | Purchase | 195,413 | 47% | O/A 120 days | - | - | (87,357) | (58%) | |
| | Hiwin Mikrosystem | Other related parties | Purchase | 147,837 | 36% | O/A 90 days | - | - | (60,825) | (41%) | |
| Hiwin Korea | The Corporation | Parent Company | Purchase | 154,084 | 72% | O/A 180 days | - | - | (91,978) | (94%) | |

Note: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance (Note) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss | |
|-----------------|---------------|--------------|--|---------------|---------|---------------|---------------------------------------|-------------------------------|------|
| | | | | | Amount | Actions Taken | | | |
| The Corporation | Hiwin Japan | Subsidiary | Trade receivables from related parties | \$ 200,477 | 1.29 | \$ - | - | \$ - | \$ - |
| | Hiwin Japan | Subsidiary | Other receivables from related parties | 302,248 | - | - | - | - | - |
| | Hiwin Germany | Subsidiary | Trade receivables from related parties | 234,917 | 4.72 | - | - | 49,306 | - |
| | Hiwin Italy | Subsidiary | Trade receivables from related parties | 346,764 | 1.37 | - | - | 55,421 | - |
| | Hiwin Italy | Subsidiary | Other receivables from related parties | 59,597 | - | - | - | - | - |
| | Hiwin China | Subsidiary | Trade receivables from related parties | 985,528 | 3.01 | - | - | 167,748 | - |

Note: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

| No. | Investee Company | Counterparty | Relationship (Note 1) | Transaction Details | | | | |
|-----|------------------|-----------------|-----------------------|-----------------------------|-------------------|---------------|----------------------------|---|
| | | | | Financial Statement Account | Amount (Note 2) | Payment Terms | % to Total Sales or Assets | |
| 0 | The Corporation | Hiwin Germany | 1 | Sales | \$ 822,098 | O/A 90 days | 5 | |
| | | | 1 | Trade receivables | 234,917 | O/A 90 days | - | |
| | | Hiwin Japan | 1 | Sales | 216,998 | O/A 150 days | 1 | |
| | | | 1 | Trade receivables | 200,477 | O/A 150 days | - | |
| | | Hiwin China | 1 | Other receivables | 302,248 | - | 1 | |
| | | | 1 | Sales | 1,791,611 | O/A 120 days | 12 | |
| | | Hiwin Italy | 1 | Trade receivables | 985,528 | O/A 120 days | 2 | |
| | | | 1 | Sales | 335,378 | O/A 180 days | 2 | |
| | | Hiwin USA | 1 | Trade receivables | 346,764 | O/A 180 days | 1 | |
| | | | 1 | Other receivables | 59,597 | - | - | |
| | | Hiwin Korea | 1 | Sales | 195,413 | O/A 120 days | 1 | |
| | | | 1 | Trade receivables | 87,357 | O/A 120 days | - | |
| | | Hiwin Singapore | 1 | Sales | 154,084 | O/A 180 days | 1 | |
| | | | 1 | Trade receivables | 91,978 | O/A 180 days | - | |
| | | | | 1 | Sales | 90,255 | O/A 120 days | 1 |
| | | | | 1 | Trade receivables | 53,758 | 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 \$87,682 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of September 30, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------|------------------------|--|--|----------------------------|-------------------|--------------------------|---------|-----------------------|-----------------------------------|------------------------|--|
| | | | | September 30, 2020 | December 31, 2019 | Number of Shares | % | Carrying Amount | | | |
| The Corporation | Hiwin Germany | Germany | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | \$ 224,257 | \$ 224,257 | - | 100 | \$ 1,834,771 | \$ 118,923 | \$ 118,923 | 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 | 605,548 | 47,128 | 47,128 | Subsidiary |
| | Hiwin Japan | Japan | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 817,642 | 817,642 | 54,200 | 100 | 89,454 | (127,284) | (127,284) | Subsidiary |
| | Mega-Fabs | Israel | Research, manufacture and sale of drivers and controllers | 42,444 | 42,444 | 240,000 | 40 | 145,683 | 42,298 | 16,919 | Investment accounted for using the equity method |
| | Eterbright | Taiwan | Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products | 2,983,556 | 2,983,556 | 171,449,427 | 74 | (507,587) | (366,963) | (272,176) | Subsidiary |
| | Hiwin Singapore | Singapore | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 117,550 | 117,550 | 5,000,000 | 100 | (10,870) | 38,163 | 38,163 | Subsidiary |
| | Hiwin Korea | Korea | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 202,945 | 202,945 | 1,440,000 | 100 | (96,044) | (33,478) | (33,478) | Subsidiary |
| | Matrix Precision | Taiwan | Research, development, production, manufacture and sale of gear cutting tools and machinery | 603,244 | 603,244 | 21,710,747 | 51 | 113,488 | (166,527) | (91,918) | Subsidiary |
| | Hiwin Healthcare Corp. | Samoa | Sale of medical robots | 3,108 | 3,108 | 100,000 | 100 | 2,764 | (33) | (33) | Subsidiary |
| | Hiwin Italy | Italy | Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots | 296,580 | 296,580 | - | 100 | 64,810 | 15,361 | 15,361 | Subsidiary |
| | Matrix | United Kingdom | Design integrated application, research, development, manufacture and sale of thread forming machinery | 461,344 | 461,344 | 4,649,500 | 100 | 273,122 | (33,128) | (28,333) | Subsidiary |
| Hiwin Schweiz | Switzerland | Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots | 66,300 | - | 150,000 | 50 | 117,703 | 7,819 | 5,394 | 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 | 62,991 (EUR 1,845) | (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 | 44,683 | 7,819 | - | Subsidiary |

Note 1: Exempted from disclosure in accordance with regulations.

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020 | Remittance of Funds | | Accumulated Outward Remittance for Investments from Taiwan as of September 30, 2020 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of September 30, 2020 | Accumulated Repatriation of Investment Income as of September 30, 2020 |
|------------------|---|----------------------------|----------------------|--|---------------------|--------|---|-----------------------------------|--|------------------------------|--|--|
| | | | | | Outward | Inward | | | | | | |
| YIFU Finance | Finance leasing | \$ 244,818 (USD 8,413) | (Note 1) | \$ 139,733 (USD 5,017) | \$ - | \$ - | \$ 139,733 (USD 5,017) | \$ (6,827) | 19 | (Note 3) | \$ 165,303 | \$ 110,732 (USD 3,614) |
| Hiwin China | Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots | 1,498,040 (CNY 300,000) | (Note 2) | 1,498,040 (CNY 300,000) | - | - | 1,498,040 (CNY 300,000) | 66,470 | 100 | \$ 66,470 (Notes 4 and 7) | 1,744,112 (Note 7) | - |
| Luren Shanghai | Sale of gear cutting tools and machinery | 14,047 (USD 439) | (Note 2) | 14,047 (USD 439) | - | - | 14,047 (USD 439) | (2,738) | 51 | (1,516) (Notes 4 and 7) | 4,184 (Note 7) | - |
| Suzhou Matrix | Sale of gear cutting tools and machinery | 9,076 (CNY 2,000) | (Note 2) | 9,076 (CNY 2,000) | - | - | 9,076 (CNY 2,000) | (2,598) | 51 | (1,439) (Notes 4 and 7) | 1,321 (Note 7) | - |

| Investor Company | Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2020 | Investment Amounts Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|------------------|---|--|--|
| The Corporation | \$ 1,637,773 (USD 5,017 and CNY 300,000) | \$ 1,557,150 (USD 9,500 and CNY 300,000) | (Note 5) |
| Matrix Precision | \$ 23,123 (USD 439 and CNY 2,000) | \$ 23,123 (USD 439 and CNY 2,000) | \$ - (Notes 5 and 6) |

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

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

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

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

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

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

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

TABLE 10**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2020**

| Name of Major Shareholder | Shares | |
|------------------------------|------------------|-------------------------|
| | Number of Shares | Percentage of Ownership |
| Hiwin Investment Corporation | 20,447,623 | 6.60% |

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.