Hiwin Technologies Corporation

Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

We have audited the accompanying financial statements of Hiwin Technologies Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2020 are as follows:

Revenue Recognition

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

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

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

2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure the consistency between terms of transaction and the timing of the revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2020, the carrying amount of inventory was $3,675,909 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management’s judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the financial statements.

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

1. We understood the related internal controls and procedures on the valuation of inventory and assessed that impairment assessment was in accordance with the approved procedures.

2. We assessed the reasonableness of allowance for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.

3. We tested the net realizable value of sample inventory items against the selling price, and checked the completeness and accuracy of the net realizable value.

4. We compared the net realizable value of the sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.

5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,333,122	3	$ 1,088,132	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	128	-	2,584	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	51,500	-	52,217	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	3,916,607	10	2,953,386	7
Trade receivables from related parties, net (Notes 4 and 26)	2,152,891	5	1,626,173	4
Inventories (Notes 4, 5 and 10)	3,675,909	9	4,986,384	12
Other current assets (Note 26)	472,616	1	452,691	1
Total current assets	11,602,773	28	11,161,567	27
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	944,234	2	1,023,074	2
Financial assets at amortized cost - non-current (Note 4)	2,906	-	2,922	-
Investments accounted for using the equity method (Notes 4, 11, 22, 23 and 26)	5,228,078	12	4,623,599	11
Property, plant and equipment (Notes 4, 12, 26 and 27)	21,629,762	52	22,336,826	53
Right-of-use assets (Notes 4, 13 and 26)	236,881	1	238,352	1
Deferred tax assets (Notes 4 and 20)	300,492	1	328,317	1
Prepayments for machinery and equipment (Notes 14 and 26)	1,713,968	4	2,226,117	5
Refundable deposits (Note 4)	10,385	-	17,007	-
Other non-current assets (Notes 4 and 26)	144,458	-	36,424	-
Total non-current assets	30,211,164	72	30,832,638	73
TOTAL	$ 41,813,937	100	$ 41,994,205	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	$ 1,980,000	5	$ 6,490,000	15
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,327	-	29	-
Contract liabilities - current (Note 4)	20,397	-	32,173	-
Notes payable	8,762	-	8,581	-
Trade payables to unrelated parties	3,056,834	7	2,031,328	5
Trade payables to related parties (Note 26)	12,397	-	27,412	-
Other payables (Notes 16 and 26)	1,151,080	3	1,037,711	3
Current tax liabilities (Notes 4 and 20)	259,185	1	35,855	-
Lease liabilities - current (Notes 4, 13 and 26)	48,593	-	50,676	-
Current portion of long-term borrowings (Notes 15 and 27)	982,093	2	1,238,479	3
Other current liabilities (Note 4)	45,010	-	46,497	-
Total current liabilities	7,571,678	18	10,998,741	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 27)	4,974,625	12	6,060,651	14
Deferred tax liabilities (Notes 4 and 20)	521,597	1	399,718	1
Lease liabilities - non-current (Notes 4, 13 and 26)	189,008	-	188,911	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	263,247	1	240,154	1
Guarantee deposits	984	-	100	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	730,210	2	362,677	1
Other non-current liabilities (Note 15)	460	-	-	-
Total non-current liabilities	6,680,131	16	7,252,211	17
Total liabilities	14,251,809	34	18,250,952	43
EQUITY				
Ordinary shares	3,308,663	8	3,095,789	7
Capital surplus	5,600,568	13	3,236,274	8
Retained earnings				
Legal reserve	2,892,584	7	2,706,052	7
Unappropriated earnings	15,363,677	37	14,410,303	34
Other equity	396,636	1	294,835	1
Total equity	27,562,128	66	23,743,253	57
TOTAL	$ 41,813,937	100	$ 41,994,205	100

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 26)	$ 16,783,132	100	$ 14,831,319	100
COST OF GOODS SOLD (Notes 10, 19 and 26)	12,933,183	77	10,631,630	72
GROSS PROFIT	3,849,949	23	4,199,689	28
REALIZED GAIN (Note 4)	117,570	1	570,527	4
REALIZED GROSS PROFIT	3,967,519	24	4,770,216	32
OPERATING EXPENSES (Notes 19 and 26)				
Selling and marketing expenses	267,447	2	324,517	2
General and administrative expenses	723,872	4	636,079	5
Research and development expenses	800,216	5	891,040	6
Total operating expenses	1,791,535	11	1,851,636	13
PROFIT FROM OPERATIONS	2,175,984	13	2,918,580	19
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	16,582	-	20,223	-
Finance costs (Notes 4, 19 and 26)	(118,576)	(1)	(103,690)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	(288,024)	(2)	(479,416)	(3)
Interest income (Notes 4 and 26)	7,925	-	8,114	-
Gain from bargain purchase (Note 4)	46,271	-	-	-
Other income (Note 26)	101,013	1	122,408	1
Gain (loss) on disposal of property, plant and equipment (Note 4)	334,842	2	(5,191)	-
Net foreign exchange gain (loss) (Notes 4 and 29)	167,947	1	(170,970)	(1)
Other expenses	(643)	-	(606)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	(46,990)	-	15,433	-
Total non-operating income and expenses	220,347	1	(593,695)	(4)
PROFIT BEFORE INCOME TAX	2,396,331	14	2,324,885	15
INCOME TAX EXPENSE (Notes 4 and 20)	466,601	3	459,569	3
NET PROFIT FOR THE YEAR	1,929,730	11	1,865,316	12

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	$ (74,368)	-	$ 38,754	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	29,031	-	64,130	1
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	45,464	-	1,634	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	14,874	-	(7,751)	-
	15,001	-	96,767	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	90,880	1	(167,408)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	66	-	(514)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	(18,176)	-	33,482	-
	72,770	1	(134,440)	(1)
Other comprehensive income (loss) for the year, net of income tax	87,771	1	(37,673)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,017,501	12	$ 1,827,643	12
EARNINGS PER SHARE (Note 21)				
Basic	$ 6.05		$ 5.85	
Diluted	$ 6.03		$ 5.83	

The accompanying notes are an integral part of the financial statements. (Concluded)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

			Retained Earnings (Note 18)			Other Equity (Note 4)		
	Ordinary Shares (Note 18)	Capital Surplus (Note 18)	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 Income	Total Equity
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
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)
Share dividends - NT$0.3 per share	90,169	-	-	-	(90,169)	-	-	-
	90,169	-	539,226	(250,940)	(2,482,389)	-	-	(2,103,934)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(160,915)	-	-	(160,915)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	9,995	-	(9,995)	-
Net profit for the year ended December 31, 2019	-	-	-	-	1,865,316	-	-	1,865,316
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	32,637	(134,440)	64,130	(37,673)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,897,953	(134,440)	64,130	1,827,643
BALANCE AT DECEMBER 31, 2019	3,095,789	3,236,274	2,706,052	-	14,410,303	(409,634)	704,469	23,743,253
Appropriation of 2019 earnings								
Legal reserve	-	-	186,532	-	(186,532)	-	-	-
Cash dividends - NT$1.8 per share	-	-	-	-	(557,242)	-	-	(557,242)
Share dividends - NT$0.3 per share	92,874	-	-	-	(92,874)	-	-	-
	92,874	-	186,532	-	(836,648)	-	-	(557,242)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	-	2,335,000
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(125,678)	-	-	(125,678)
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	-	84,098
Share-based payments	-	65,196	-	-	-	-	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	42,136	-	(42,136)	-
Net profit for the year ended December 31, 2020	-	-	-	-	1,929,730	-	-	1,929,730
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(56,166)	72,770	71,167	87,771
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,873,564	72,770	71,167	2,017,501
BALANCE AT DECEMBER 31, 2020	$ 3,308,663	$ 5,600,568	$ 2,892,584	$ -	$ 15,363,677	$ (336,864)	$ 733,500	$ 27,562,128

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,396,331	$ 2,324,885
Adjustments for :		
Depreciation expenses	1,727,817	1,662,163
Amortization expenses	16,667	28,586
Expected credit loss recognized (reversed) on trade receivables	(4,952)	7,946
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	7,199	(2,555)
Finance costs	118,576	103,690
Interest income	(7,925)	(8,114)
Dividend income	(35,495)	(60,931)
Compensation costs of employees’ share-based payments	65,196	-
Share of profit or loss of subsidiaries and associates	288,024	479,416
Loss (gain) on disposal of property, plant and equipment	(334,842)	5,191
Impairment loss recognized on non-financial assets	89,000	68,000
Realized gains	(117,570)	(570,527)
Unrealized foreign currency exchange loss (gain), net	(94,428)	74,636
Gain from bargain purchase	(46,271)	-
Others	(1,858)	(256)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,555	(5,493)
Notes receivable	724	138,818
Trade receivables	(1,390,155)	2,171,372
Inventories	1,462,971	1,132,494
Other current assets	(19,911)	(78,311)
Contract liabilities	(11,776)	(72,660)
Notes payable	181	(3,850)
Trade payables	1,010,080	(3,138,847)
Other payables	123,737	(1,203,349)
Other current liabilities	(1,487)	(490)
Net defined benefit liabilities	(51,275)	(8,321)
Cash generated from operations	5,191,113	3,043,493
Interest received	7,911	8,106
Dividend received	35,495	60,931
Interest paid	(126,738)	(104,454)
Income taxes paid	(96,869)	(963,161)
Net cash generated from operating activities	5,010,912	2,044,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(12,606)	(36,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	7,896

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HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Return of capital surplus from financial assets at fair value through other comprehensive income	$ 120,477	$ -
Purchase of financial assets at amortized cost	-	(2,922)
Proceeds from disposal of financial assets at amortized cost	-	2,700
Net cash outflow on acquisition of subsidiaries (Note 22)	(66,300)	-
Payments for property, plant and equipment	(610,135)	(1,400,857)
Proceeds from disposal of property, plant and equipment	674,477	7,289
Decrease (increase) in refundable deposits	6,622	(11)
Increase in other non-current assets	(125,645)	(16,704)
Increase in prepayments for machinery and equipment	(418,368)	(1,315,851)
Net cash used in investing activities	(431,478)	(2,754,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	(4,510,000)	1,940,000
Proceeds from long-term borrowings	223,500	2,570,460
Repayments of long-term borrowings	(1,565,479)	(1,668,460)
Increase (decrease) in guarantee deposit received	884	(12,775)
Repayment of the principal portion of lease liabilities	(61,107)	(58,715)
Dividends paid	(557,242)	(2,103,934)
Proceeds from issuance of ordinary shares	2,335,000	-
Acquisition of additional shares of subsidiary	(200,000)	(302,124)
Net cash generated from (used in) financing activities	(4,334,444)	364,452
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	244,990	(345,093)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,088,132	1,433,225
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,333,122	$ 1,088,132

The accompanying notes are an integral part of the financial statements. (Concluded)

HIWIN TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 23, 2021.

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

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

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
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
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
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)

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries, associates and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

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

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

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

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

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

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

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

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

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

h. Property, plant, and equipment

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property, plant, and equipment, right-of-use asset and intangible assets

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

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

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

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Provision

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

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

m. Revenue recognition

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

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

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

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

n. Leasing

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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

o. Borrowing costs

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

p. Government grants

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 1,631	$ 1,616
Checking accounts and demand deposits	1,092,945	863,926
Cash equivalents		
Time deposits (investments with original maturities of less than 3 months)	238,546	222,590
	$ 1,333,122	$ 1,088,132

Rate of interest per annum (%)		
Cash in bank	0.00-0.30	0.00-0.38
Time deposits (investments with original maturities of less than 3 months)	1.10-2.40	1.20-2.60

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2020			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NT$105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NT$361,257
Sell	USD/NTD	2021.1.26-2021.3.29	US$1,700/NT$47,862
December 31, 2019			
Sell	EUR/NTD	2020.1.30-2020.3.16	EUR2,700/NT$91,280
Sell	RMB/NTD	2020.1.13-2020.3.17	RMB114,000/NT$490,284

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

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

Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)	December 31 2020	December 31 2019
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	$ 860,140	$ 787,509
Domestic unlisted ordinary shares		
Ever Fortune. AI CO., Ltd. (Ever Fortune.)	45,017	28,010
Taichung International Country Club	2,650	2,500
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	36,427	205,055
	$ 944,234	$ 1,023,074

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

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

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

In April 2019, the Company acquired ordinary shares of Ever Fortune in the amount of $36,000 thousand. In December 2020, the Company acquired additional shares amounting to $12,606 thousand in Ever Fortune. Both investments are held for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

In September 2019, the Company 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

	December 31	
	2020	2019
Notes receivable from unrelated parties		
At amortized cost		
Gross carrying amount	$ 52,020	$ 52,744
Less: Allowance for impairment loss	(520)	(527)
	$ 51,500	$ 52,217
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 3,917,064	$ 2,958,788
Less: Allowance for impairment loss	(457)	(5,402)
	$ 3,916,607	$ 2,953,386

a. Notes receivable

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

	December 31	
	2020	2019
Not past due	$ 52,020	$ 52,744
Past due	-	-
	$ 52,020	$ 52,744

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables.

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
December 31, 2020					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	$ 3,586,723	$ 327,212	$ 3,129	$ -	$ 3,917,064
Loss allowance (Lifetime ECL)	(36)	(356)	(65)	-	(457)
Amortized cost	$ 3,586,687	$ 326,856	$ 3,064	$ -	$ 3,916,607
December 31, 2019					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	$ 1,898,285	$ 1,060,449	$ 54	$ -	$ 2,958,788
Loss allowance (Lifetime ECL)	(19)	(5,382)	(1)	-	(5,402)
Amortized cost	$ 1,898,266	$ 1,055,067	$ 53	$ -	$ 2,953,386

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2020	
	Notes Receivable	Trade Receivables
Balance at January 1, 2020	$ 527	$ 5,402
Net remeasurement of loss allowance	(7)	(4,945)
Balance at December 31, 2020	$ 520	$ 457

	For the Year Ended December 31, 2019	
	Notes Receivable	Trade Receivables
Balance at January 1, 2019	$ 1,915	$ 3,991
Net remeasurement of loss allowance	(1,388)	9,334
Amounts written off	-	(7,923)
Balance at December 31, 2019	$ 527	$ 5,402

10. INVENTORIES

	December 31	
	2020	2019
Merchandise	$ 2,017	$ 3,351
Finished goods	353,127	630,458
Work in process	1,236,217	1,075,979
Raw materials and supplies	1,880,914	3,033,873
Inventory in transit	203,634	242,723
	$ 3,675,909	$ 4,986,384

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $12,933,183 thousand and $10,631,630 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of $89,000 thousand and $68,000 thousand, respectively, and unallocated fixed overhead of $142,866 thousand and $121,800 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	$ 5,076,047	$ 4,492,005
Investments in associates	152,031	131,594
	$ 5,228,078	$ 4,623,599

a. Investments in subsidiaries

	December 31	
	2020	2019
Hiwin GmbH ("Hiwin Germany")	$ 1,934,803	$ 1,589,621
Hiwin Corporation, U.S.A. ("Hiwin USA")	648,513	546,203
Hiwin Corporation, Japan ("Hiwin Japan")	39,300	183,404
Eterbright Solar Corporation ("Eterbright")	(643,793)	(235,410)
Hiwin Singapore Pte. Ltd. ("Hiwin Singapore")	(885)	(53,375)
Hiwin Corporation ("Hiwin Korea")	(85,532)	(73,892)
Hiwin Technologies (China) Corporation ("Hiwin China")	1,798,349	1,709,476
Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) ("Matrix Precision")	95,313	120,994
Hiwin Healthcare Corp.	2,706	2,881
Hiwin S.R.L. ("Hiwin Italy")	88,729	23,882
Matrix Machine Tool (Coventry) Limited ("Matrix")	261,614	315,544
Hiwin (Schweiz) GmbH ("Hiwin Schweiz")	206,720	-
	4,345,837	4,129,328
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	730,210	362,677
	$ 5,076,047	$ 4,492,005

	Proportion of Ownership and Voting Rights	
	2020	2019
Name of subsidiary		
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright	74%	74%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision	51%	71%
Hiwin Healthcare Corp.	100%	100%
Hiwin Italy	100%	100%
Matrix	100%	100%
Hiwin Schweiz	81%	-

Refer to Note 23 to the consolidated financial statements for the year ended December 31, 2020, for the disclosure of the Company's acquisition of Hiwin Schweiz.

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

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	December 31 2020	December 31 2019
Associates that are not individually material	$ 152,031	$ 131,594

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
The Company's share of:		
Profit for the year	$ 19,594	$ 4,567
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	$ 19,594	$ 4,567

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were calculated based on the financial statements which have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Cost					
Land	$ 3,971,527	$ -	$ (80,898)	$ -	$ 3,890,629
Buildings and improvements	11,095,696	33,013	(388,419)	581,512	11,321,802
Machinery and equipment	12,703,010	216,219	(2,004,236)	897,858	11,812,851
Transportation equipment	64,439	-	(3,757)	-	60,682
Miscellaneous equipment	1,803,611	70,357	(55,606)	32,659	1,851,021
Construction in progress	327,616	288,340	-	(581,512)	34,444
	29,965,899	$ 607,929	$ (2,532,916)	$ 930,517	28,971,429
Accumulated depreciation					
Buildings and improvements	1,436,753	$ 235,887	$ (142,136)	$ -	1,530,504
Machinery and equipment	5,294,576	1,439,721	(1,997,698)	-	4,736,599
Transportation equipment	25,063	9,803	(3,757)	-	31,109
Miscellaneous equipment	872,681	220,464	(49,690)	-	1,043,455
	7,629,073	$ 1,905,875	$ (2,193,281)	$ -	7,341,667
	$ 22,336,826				$ 21,629,762

	For the Year Ended December 31, 2019				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Cost					
Land	$ 3,774,107	$ 197,420	$ -	$ -	$ 3,971,527
Buildings and improvements	7,355,912	19,519	(5,822)	3,726,087	11,095,696
Machinery and equipment	11,501,435	526,449	(1,063,872)	1,738,998	12,703,010
Transportation equipment	65,925	3,075	(4,561)	-	64,439
Miscellaneous equipment	1,482,482	148,863	(43,109)	215,375	1,803,611
Construction in progress	3,548,254	505,449	-	(3,726,087)	327,616
	27,728,115	$ 1,400,775	$ (1,117,364)	$ 1,954,373	29,965,899
Accumulated depreciation					
Buildings and improvements	1,246,111	$ 196,464	$ (5,822)	$ -	1,436,753
Machinery and equipment	4,937,247	1,410,460	(1,053,131)	-	5,294,576
Transportation equipment	19,317	10,307	(4,561)	-	25,063
Miscellaneous equipment	721,104	192,947	(41,370)	-	872,681
	6,923,779	$ 1,810,178	$ (1,104,884)	$ -	7,629,073
	$ 20,804,336				$ 22,336,826

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

Buildings and improvements	
Main buildings	25-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	5-10 years
Miscellaneous equipment	2-15 years

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Land	$ 128,761	$ 134,149
Buildings	108,120	104,203
	$ 236,881	$ 238,352

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 86,246	$ 101,150
Depreciation charge for right-of-use assets		
Land	$ 8,048	$ 7,891
Buildings	54,446	52,418
	$ 62,494	$ 60,309

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 48,593	$ 50,676
Non-current	$ 189,008	$ 188,911

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.45%	1.45%
Buildings	1.45%	1.45%

c. Material lease-in activities and terms

The Company leases certain land and buildings for the use of plants and offices with lease terms of 1 to 17 years. The lease contract for land specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 345	$ 435
Expenses relating to low-value asset leases	$ 2,277	$ 1,726
Total cash outflow for leases	$ (67,190)	$ (64,457)

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

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

The Date of Initial Cost Contribution	December 31 2020	December 31 2019
Within 1 year	$ 320,821	$ 627,135
1-2 years	350,072	1,117,769
2-5 years	1,021,724	474,295
More than 5 years	21,351	6,918
	$ 1,713,968	$ 2,226,117

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

15. BORROWINGS

a. Short-term borrowings

	December 31 2020	December 31 2019
Secured borrowings (Note 27)		
Loans for export sales	$ 710,000	$ 1,000,000
Unsecured borrowings		
Line of credit borrowings	1,270,000	5,490,000
	$ 1,980,000	$ 6,490,000
Rate of interest per annum (%)		
Loans for export sales	0.51	0.81
Line of credit borrowings	0.77-0.88	0.82-0.97

b. Long-term borrowings

	December 31	
	2020	2019
Secured borrowings (Note 27)		
Secured loans	$ 5,753,873	$ 7,199,130
Unsecured borrowings		
Unsecured loans	202,845	100,000
	5,956,718	7,299,130
Less: Current portion	(982,093)	(1,238,479)
Long-term borrowings	$ 4,974,625	$ 6,060,651
Rate of interest per annum (%)		
Secured loans	0.36-1.49	1.03-1.76
Unsecured loans	0.70-0.89	1.05

In August 2019, the Company received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowing. As of December 31, 2020, $23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Company recognized $501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

16. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries and bonuses	$ 566,076	$ 496,516
Payables for compensation of employees	154,385	149,304
Payables for annual leave	106,976	82,701
Payables for remuneration to directors	77,193	74,652
Payables for purchases of building and equipment	21,539	23,745
Others	224,911	210,793
	$ 1,151,080	$ 1,037,711

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 373,605	$ 316,274
Fair value of plan assets	(110,358)	(76,120)
Net defined benefit liabilities	$ 263,247	$ 240,154

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2019	$ 370,039	$ (82,810)	$ 287,229
Service cost			
Current service cost	2,839	-	2,839
Past service cost	(2,173)	-	(2,173)
Net interest expense (income)	3,616	(773)	2,843
Recognized in profit or loss	4,282	(773)	3,509
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,472)	(3,472)
Actuarial loss - changes in demographic assumptions	355	-	355
Actuarial loss - changes in financial assumptions	8,405	-	8,405
Actuarial profit - experience adjustments	(44,042)	-	(44,042)
Recognized in other comprehensive income	(35,282)	(3,472)	(38,754)
Contributions from the employer	-	(11,830)	(11,830)
Benefits paid	(22,765)	22,765	-
Balance at December 31, 2019	316,274	(76,120)	240,154

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	$ 1,772	$ -	$ 1,772
Past service cost	(49)	-	(49)
Net interest expense (income)	2,305	(522)	1,783
Recognized in profit or loss	4,028	(522)	3,506
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,843)	(2,843)
Actuarial loss - changes in demographic assumptions	324	-	324
Actuarial loss - changes in financial assumptions	15,793	-	15,793
Actuarial loss - experience adjustments	61,094	-	61,094
Recognized in other comprehensive income	77,211	(2,843)	74,368
Contributions from the employer	-	(54,781)	(54,781)
Benefits paid	(23,908)	23,908	-
Balance at December 31, 2020	$ 373,605	$ (110,358)	$ 263,247

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rates	0.35%	0.75%
Expected rates of salary increase	2.00%	2.00%
Turnover rate	0.90%	1.01%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	$ (9,993)	$ (8,361)
0.25% decrease	$ 10,377	$ 8,691
Expected rate of salary increase		
0.25% increase	$ 10,181	$ 8,561
0.25% decrease	$ (9,858)	$ (8,281)
Turnover rate		
10% increase	$ (270)	$ (325)
10% decrease	$ 271	$ 327

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	$ 5,916	$ 4,897
The average duration of the defined benefit obligation	10 years	11 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands)	330,866	309,579
Shares issued	$ 3,308,663	$ 3,095,789

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

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

According to the Company Act, the issuance of ordinary shares for cash shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS2 “Share-based Payment”, the Company recognized salary expense and share premium in the amount of $65,196 thousand in 2020.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 5,509,020	$ 3,230,834
May only be used to offset a deficit		
Changes in percentage of ownership interests in subsidiaries (2)	84,098	-
Invalid employee shares	7,450	5,440
	$ 5,600,568	$ 3,236,274

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

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

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 28, 2019 and in that meeting, resolved the amendments to the Articles of Incorporation of the Company. Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Company's profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Company's total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19-c.

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

The appropriations of cash dividends per share for 2019 had 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 December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	$ 186,532	$ 539,226		
Reversal of special reserve	-	(250,940)		
Cash dividends	557,242	2,103,934	$ 1.8	$ 7.0
Share dividends	92,874	90,169	0.3	0.3

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 23, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 179,002	
Cash dividends	661,733	$ 2
Share dividends	99,260	0.3

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 28, 2021.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	$ 115,115	$ 100,109
Interest on lease liabilities	3,461	3,581
	$ 118,576	$ 103,690

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest	$ 13,568	$ 43,930
Capitalization rates (%)	1.08-1.45	1.38-1.48

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2020			
Short-term employee benefits			
Salary	$ 2,406,155	$ 812,537	$ 3,218,692
Labor and health insurance	205,526	68,257	273,783
Post-employment benefits			
Defined contribution plans	86,313	33,481	119,794
Defined benefit plans (Note 17)	3,229	277	3,506
Equity-settled share-based payments	38,303	26,893	65,196
Remuneration to directors	-	78,633	78,633
Other employee benefits	119,888	30,872	150,760
Depreciation expenses	1,542,089	185,728	1,727,817
Amortization expenses	14,660	2,007	16,667
For the Year Ended December 31, 2019			
Short-term employee benefits			
Salary	1,610,256	612,210	2,222,466
Labor and health insurance	219,491	67,966	287,457
Post-employment benefits			
Defined contribution plans	91,072	34,843	125,915
Defined benefit plans (Note 17)	3,130	379	3,509
Remuneration to directors	-	76,102	76,102
Other employee benefits	161,705	34,798	196,503
Depreciation expenses	1,488,905	173,258	1,662,163
Amortization expenses	24,063	4,523	28,586

As of 2020 and 2019, the Company had an average of 4,564 and 5,008 employees, respectively. There were 6 directors who did not serve concurrently as employees for both years. The headcounts were based on those used in the calculation of employee benefit expense.

As of 2020 and 2019, the average of employee benefits expense was $841 thousand and $567 thousand, respectively; as of 2020 and 2019, the average of employee salaries was $706 thousand and $444 thousand, respectively, and the change in the average employee salaries was 59%.

The Company did not have supervisor in 2019 and 2020; there is no remuneration for supervisor.

The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of equal pay for equal work and retaining employees, all assessments are taken into consideration. Through new assessments, quarterly assessments, year-end assessments, and project assessments, the Company encourages and rewards the contributions of outstanding employees. Payment of different bonuses is also a key feature of the reward scheme; for example, the lifetime premium system, which is the new technology developed by employees to make more profits. The Company will regularly pay bonuses equivalent to the authorization fee to employees, so that employees and the Company can share their achievements.

In addition, the managers of the Company are regarded as ordinary employees receiving salaries, and various bonuses, dividends and benefits are paid according to the operation and profit status, taking into account the Company's operating results and the scope of management and responsibility of each manager in the Company. The condition and the results of the annual performance evaluation are given reasonable remuneration; the policy for remuneration of managers is based on the Company's salary scale, salary treatment method and the scope of rights and responsibilities of the position in the Company and the contribution to the Company's operating performance for the payment of dividends, year-end bonuses and other remuneration.

The Company sets the remuneration procedures for directors, which is based on director's performance evaluation and remuneration system, board performance evaluation method and manager's performance evaluation and bonus system as the basis of evaluation; In addition to the Company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the Company which pays reasonable remuneration; the remuneration of the general manager and deputy general manager is based on salary and various treatment procedures and takes into account the relevance of the manager's performance and the Company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Company's sustainable operation and risk control measures.

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 23, 2021 and March 25, 2020, respectively, were as follows:

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

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

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

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

20. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 214,243	$ 299,636
Income tax of unappropriated earnings	29,113	58,654
Land value increment tax	34,729	-
Adjustments for prior years	42,114	25,718
Deferred tax		
In respect of the current year	146,402	75,561
Income tax expense recognized in profit or loss	$ 466,601	$ 459,569

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	$ 479,266	$ 464,977
Non-deductible expenses in determining taxable income	634	348
Tax-exempt income	(97,422)	(58,948)
Others	795	3,707
Income tax on unappropriated earnings	66,690	147,172
Investment tax credits used	(139,498)	(206,008)
Current tax	310,465	351,248
Land value increment tax	34,729	-
Unrecognized deductible temporary differences	79,293	82,603
Adjustments for prior years' tax	42,114	25,718
Income tax expense recognized in profit or loss	$ 466,601	$ 459,569

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 Company 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 (MOF) of the ROC, the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual profit for 2020, and the current income tax payable is adjusted accordingly.

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

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

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 18,176	$ (33,482)
Remeasurement of defined benefit plans	(14,874)	7,751
	$ 3,302	$ (25,731)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 121,474	$ (23,514)	$ -	$ 97,960
Defined benefit obligations	17,417	(7,568)	14,874	24,723
Allowance for inventory devaluation	45,600	17,800	-	63,400
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Payable for annual leave	16,540	4,855	-	21,395
Financial liabilities at FVTPL	-	1,440	-	1,440
Provisions	3,071	121	-	3,192
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Unrealized loss on foreign currency exchange	14,705	(14,705)	-	-
Others	32	(1)	-	31
	$ 328,317	$ (24,523)	$ (3,302)	$ 300,492
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 399,207	$ 91,798	$ -	$ 491,005
Gain from bargain purchase	-	9,254	-	9,254
Unrealized gain on foreign currency exchange	-	21,338	-	21,338
Financial assets at FVTPL	511	(511)	-	-
	$ 399,718	$ 121,879	$ -	$ 521,597

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 235,579	$ (114,105)	$ -	$ 121,474
Defined benefit obligations	26,832	(1,664)	(7,751)	17,417
Allowance for inventory devaluation	32,000	13,600	-	45,600
Impairment loss on financial assets	7,022	-	-	7,022
Payable for annual leave	23,164	(6,624)	-	16,540
Financial liabilities at FVTPL	1,099	(1,099)	-	-
Provisions	4,979	(1,908)	-	3,071
Exchange difference on foreign operations	68,974	-	33,482	102,456
Unrealized loss on foreign currency exchange	-	14,705	-	14,705
Others	33	(1)	-	32
	$ 399,682	$ (97,096)	$ 25,731	$ 328,317
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 412,487	$ (13,280)	$ -	$ 399,207
Unrealized gain on foreign currency exchange	8,766	(8,766)	-	-
Financial assets at FVTPL	-	511	-	511
	$ 421,253	$ (21,535)	$ -	$ 399,718

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2020	2019
Investment loss	$ 2,306,601	$ 1,910,137

e. Information about tax-exemption

As of December 31, 2020, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Cash injection in 2009	January 2016 to December 2020

f. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net profit	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2020			
Basic earnings per share			
Profit for the year	$ 1,929,730	319,194	$ 6.05
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	580	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	$ 1,929,730	319,774	$ 6.03
For the Year Ended December 31, 2019			
Basic earnings per share			
Profit for the year	$ 1,865,316	318,866	$ 5.85
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	962	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	$ 1,865,316	319,828	$ 5.83

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 6.03	$ 5.85
Diluted earnings per share	$ 6.01	$ 5.83

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

22. ACQUISITION OF SUBSIDIARY WITH OBTAINED CONTROL

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

Hiwin Schweiz was acquired by the Company in order to expand the development in the field of drive control, enhance its competitive advantage and increase the scale of operations. For the details about the acquisition of Hiwin Schweiz, refer to Note 23 to the consolidated financial statements for the year ended December 31, 2020.

23. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

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

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

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

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

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

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

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

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

b. Categories of financial instruments

	December 31	
	2020	**2019**
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	$ 128	$ 2,584
Financial assets at amortized cost (1)	7,467,411	5,739,837
Financial assets at FVTOCI		
Equity instruments	944,234	1,023,074
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	7,327	29
Financial liabilities at amortized cost (2)	12,166,775	16,894,262

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by $52,143 thousand and $40,909 thousand, respectively.

b) Interest rate risk

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

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Deposits in bank	$ 238,546	$ 222,590
Lease liabilities	237,601	239,587
Short-term borrowings	-	2,020,000

(Continued)

	December 31	
	2020	2019
Cash flow interest rate risk		
Deposits in bank	$ 1,001,104	$ 798,153
Short-term borrowings	1,980,000	4,470,000
Long-term borrowings	5,956,718	7,299,130

(Concluded)

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by $55,485 thousand and $87,768 thousand, respectively.

2) Credit risk

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

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

The Company's credit risk by geographical locations was mainly concentrated in Asia, which accounted for 85% and 82% of the total trade receivables as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized bank loan facilities of $8,740,930 thousand and $4,293,761 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5+ Years
December 31, 2020			
Non-derivative financial liabilities			
Non-interest bearing	$ 4,229,073	$ -	$ -
Lease liabilities	60,530	99,629	110,207
Variable interest rate liabilities	2,962,093	2,657,422	2,317,203
	$ 7,251,696	$ 2,757,051	$ 2,427,410
Derivative financial liabilities			
Foreign exchange forward contracts	$ 7,327	$ -	$ -
December 31, 2019			
Non-derivative financial liabilities			
Non-interest bearing	$ 3,105,032	$ -	$ -
Lease liabilities	53,735	97,882	107,515
Fixed interest rate liabilities	2,020,000	-	-
Variable interest rate liabilities	5,708,479	3,153,088	2,907,563
	$ 10,887,246	$ 3,250,970	$ 3,015,078
Derivative financial liabilities			
Foreign exchange forward contracts	$ 29	$ -	$ -

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
December 31, 2020					
Lease liabilities	$ 60,530	$ 99,629	$ 55,763	$ 45,370	$ 9,074
December 31, 2019					
Lease liabilities	$ 53,735	$ 97,882	$ 44,798	$ 44,798	$ 17,919

26. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and categories

Related Party Name	Related Party Categories
Hiwin Germany	Subsidiary
Hiwin USA	Subsidiary
Hiwin Japan	Subsidiary
Eterbright	Subsidiary

(Continued)

Related Party Name	Related Party Categories
Hiwin Singapore	Subsidiary
Hiwin Korea	Subsidiary
Hiwin China	Subsidiary
Matrix Precision	Subsidiary
Hiwin Healthcare Corp.	Subsidiary
Hiwin Italy	Subsidiary
Matrix	Subsidiary
Hiwin Schweiz	Subsidiary
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party

(Concluded)

b. Operating transactions

1) Sales of goods

	For the Year Ended December 31	
	2020	2019
Hiwin China	$ 2,496,837	$ 1,564,865
Subsidiaries	2,603,847	2,808,567
Others	86,739	42,276
	$ 5,187,423	$ 4,415,708

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.

2) Purchases of goods

	For the Year Ended December 31	
	2020	2019
Others	$ 46,509	$ 155,051
Subsidiaries	8,451	39,318
	$ 54,960	$ 194,369

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

3) Other operating transactions

	For the Year Ended December 31	
	2020	2019
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	$ 375	$ 7,613

	For the Year Ended December 31	
	2020	**2019**
Non-operating income - other income		
Subsidiaries	$ 40,384	$ 33,855
Others	274	2,347
	$ 40,658	$ 36,202
Manufacturing and operating expenses		
Others	$ 3,214	$ 2,006
Subsidiaries	3,074	10,115
	$ 6,288	$ 12,121
Operating expenses - donations		
Hiwin Education Foundation	$ 8,400	$ 18,000

	December 31	
	2020	**2019**
4) Trade receivables		
Hiwin China	$ 981,980	$ 601,582
Subsidiaries	1,170,911	1,024,591
	$ 2,152,891	$ 1,626,173
5) Other receivables (classified as other current assets)		
Subsidiaries	$ 4,258	$ 7,220
Others	-	93
	$ 4,258	$ 7,313
6) Prepayments for investments (classified as other non-current assets)		
Matrix Precision	$ 124,850	$ -
7) Trade payables		
Subsidiaries	$ 6,525	$ 21,050
Others	5,872	6,362
	$ 12,397	$ 27,412
8) Other payables		
Subsidiaries	$ 4,121	$ 7,656
Others	1,036	58
	$ 5,157	$ 7,714

	December 31	
	2020	2019
9) Prepayments for machinery and equipment		
Subsidiaries	$ 76,070	$ 165,065

c. Loans to related parties

	December 31	
	2020	2019
Other receivables (classified as other current assets)		
Hiwin Japan	$ 224,911	$ 161,664
Hiwin Italy	31,269	133,996
	$ 256,180	$ 295,660

	For the Year Ended December 31	
	2020	2019
Interest income		
Subsidiaries	$ 4,883	$ 4,344

The Company provided Hiwin Japan and Hiwin Italy with short-term loans at rates comparable to market interest rates.

d. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Subsidiaries	$ 46,971	$ 78,122
Others	8,749	5,400
	$ 55,720	$ 83,522

e. Lease arrangements

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

	For the Year Ended December 31	
	2020	2019
Acquisition of right-of-use assets		
Others	$ -	$ 8,303

	December 31	
	2020	2019
Lease liabilities		
Others	$ 2,051	$ 6,304

	For the Year Ended December 31	
	2020	2019
Finance costs		
Others	$ 58	$ 44

f. Acquisition of financial assets

		For the Year Ended December 31, 2020		
Related Party Category	**Line Item**	**Number of Shares (%)**	**Underlying Assets**	**Purchase Price**
Hiwin Investment Corporation	Investment accounted for using the equity method	31	Hiwin Schweiz	$ 200,000

g. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries as of December 31, 2020, refer to Table 2.

h. Acquisition of additional interests in related parties

	For the Year Ended December 31	
	2020	2019
Matrix	$ -	$ 220,864
Matrix Precision	-	81,260
	$ -	$ 302,124

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 163,073	$ 171,300
Share-based payments	1,087	-
Termination benefits	1,060	-
Post-employment benefits	539	556
	$ 165,759	$ 171,856

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2020	2019
Property, plant and equipment	$ 13,920,763	$ 14,262,145

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $186,454 thousand and $149,030 thousand, respectively.

b. As of December 31, 2020 and 2019, commitment for acquisition of property, plant and equipment amounted to $330,561 thousand and $698,246 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 19,134	28.480	$ 544,950	$ 17,190	29.980	$ 515,346
EUR	25,191	35.02	882,175	28,838	33.59	968,669
JPY	2,073,446	0.2763	572,893	1,940,254	0.2760	535,510
RMB	1,096,141	4.377	4,797,810	754,848	4.305	3,249,621
Non-monetary items						
USD	25,479	28.480	725,654	26,174	29.980	784,705
EUR	65,139	35.02	2,281,179	57,623	33.59	1,935,546
ILS	13,639	8.740	119,202	11,397	8.666	98,764
RMB	429,927	4.377	1,881,788	413,485	4.305	1,780,053
JPY	327,492	0.2763	90,486	965,910	0.2760	266,591
GBP	5,723	38.90	222,623	7,134	39.36	280,805
CHF	6,306	32.31	203,745	-	-	-
SGD	467	21.56	10,065	-	-	-
Financial liabilities						
Monetary items						
USD	2,775	28.480	79,029	3,107	29.980	93,142
EUR	1,461	35.02	51,156	677	33.59	22,734
JPY	496,900	0.2763	137,293	104,526	0.2760	28,849
RMB	2,861	4.377	12,524	2,501	4.305	10,765
Non-monetary items						
KRW	2,511,016	0.0264	66,391	1,672,635	0.0262	43,773
SGD	-	-	-	1,776	22.28	39,569

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549	$ (25,080)	30.912	$ (3,819)
JPY	0.2769	7,373	0.2837	4,789
EUR	33.71	53,184	34.61	(42,458)
RMB	4.282	132,186	4.472	(127,210)
		$ 167,663		$ (168,698)

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (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 25)

10) Information on investees. (Table 7)

b. Information on investments in mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)

   c) The amount of property transactions and the amount of the resultant gains or losses. (None)

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)

   e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 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	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Company	Hiwin Japan	Other receivables from related parties	Yes	$ 320,165	$ 224,911	$ 224,911	1.49%	1	Sales $560,400	-	$ -	-	$ -	$ 4,134,319	$ 8,268,638
0	The Company	Hiwin Italy	Other receivables from related parties	Yes	155,289	31,269	31,269	1.49%	1	Sales 457,788	-	-	-	-	4,134,319	8,268,638
0	The Company	Hiwin Korea	Other receivables from related parties	Yes	166,619	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638
0	The Company	Matrix	Other receivables from related parties	Yes	39,640	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638

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

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

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 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 Company	Matrix	Subsidiary	$ 2,756,213	$ 79,280 (GBP 2,000)	$ 77,800 (GBP 2,000)	$ 46,680 (GBP 1,200)	$ -	0.3%	$ 9,646,745	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	2,756,213	350,800 (EUR 10,000)	350,200 (EUR 10,000)	113,015 (EUR 3,227)	-	1.3%	9,646,745	Yes	-	-
0	The Company	Eterbright	Subsidiary	2,756,213	2,550,000	2,250,000	1,847,000	-	8.2%	9,646,745	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	2,756,213	177,780 (USD 6,000)	170,880 (USD 6,000)	32,752 (USD 1,150)	-	0.6%	9,646,745	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	2,756,213	346,680 (USD 12,000)	341,760 (USD 12,000)	160,912 (USD 5,650)	-	1.2%	9,646,745	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	2,756,213	1,284,318 (JPY 4,660,080)	734,129 (JPY 2,657,000)	595,612 (JPY 2,155,671)	-	2.7%	9,646,745	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	2,756,213	900,000	900,000	599,000	-	3.3%	9,646,745	Yes	-	-

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

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

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

Note 4: The amounts denominated in foreign currencies were converted into New Taiwan dollars based on exchange rate prevailing at the end of last month.

TABLE 3

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Government bond							
	Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	$ 2,906	-	$ 2,906	
	Share capital							
	Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,431,363	860,140	8	860,140	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	45,017	3	45,017	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,650	-	2,650	
	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	36,427	19	36,427	

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

TABLE 4

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 YEARS ENDED DECEMBER 31, 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 Company	Property, plant and accessory equipment on Tanxing Section, Tanzi District, Taichung City, Taiwan	2020.7.24	1982.12.31-2018.12.21	$ 333,136	$ 680,000 (Tax included)	$ 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 YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Hiwin China	Subsidiary	Sale	$ (2,496,837)	(15%)	O/A 120 days	$ -	-	$ 981,980	16%	(Note 1)
	Hiwin Germany	Subsidiary	Sale	(1,080,275)	(6%)	O/A 90 days	-	-	265,352	4%	
	Hiwin Italy	Subsidiary	Sale	(401,721)	(2%)	O/A 180 days	-	-	314,169	5%	
	Hiwin Japan	Subsidiary	Sale	(320,186)	(2%)	O/A 150 days	-	-	221,840	4%	
	Hiwin USA	Subsidiary	Sale	(267,617)	(2%)	O/A 120 days	-	-	96,283	2%	
	Hiwin Korea	Subsidiary	Sale	(194,858)	(1%)	O/A 180 days	-	-	73,435	1%	
	Eterbright	Subsidiary	Sale	(123,808)	(1%)	T/T 120 days	-	-	129,817	2%	
	Hiwin Singapore	Subsidiary	Sale	(119,117)	(1%)	O/A 120 days	-	-	47,121	1%	
Hiwin China	The Company	Parent company	Purchase	2,496,837	96%	O/A 120 days	-	-	(981,980)	(97%)	
Hiwin Germany	The Company	Parent company	Purchase	1,080,275	60%	O/A 90 days	-	-	(265,352)	(82%)	
	Hiwin Mikrosystem	Other related parties	Purchase	128,255	7%	O/A 90 days	-	-	(31,797)	(10%)	
	Hiwin S.R.O.	Other related parties	Sale	(155,978)	(6%)	O/A 45 days	-	-	8,854	7%	
Hiwin Italy	The Company	Parent company	Purchase	401,721	82%	O/A 180 days	-	-	(314,169)	(86%)	
Hiwin Japan	The Company	Parent company	Purchase	320,186	84%	O/A 150 days	-	-	(221,840)	(92%)	
Hiwin USA	The Company	Parent company	Purchase	267,617	48%	O/A 120 days	-	-	(96,283)	(69%)	
	Hiwin Mikrosystem	Other related parties	Purchase	191,649	35%	O/A 90 days	-	-	(36,487)	(26%)	
Hiwin Korea	The Company	Parent company	Purchase	194,858	85%	O/A 180 days	-	-	(73,435)	(95%)	
Eterbright	The Company	Parent company	Purchase	4,828	9%	T/T 120 days	-	-	(194)	(2%)	
			Purchase	118,980	-	-	-	-	(129,623)	-	(Note 2)
Hiwin Singapore	The Company	Parent company	Purchase	119,117	84%	O/A 120 days	-	-	(47,121)	(76%)	

Note 1: Unrealized gain on investment in Hiwin China amounted to $83,439 thousand.

Note 2: Eterbright recognized property, plant and equipment and payables for purchase of equipment in the balance sheets.

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	$ 221,840	1.36	$ -	-	$ -	$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	225,880	-	-	-	32,152	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	265,352	4.37	-	-	264,303	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	314,169	1.29	-	-	69,514	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	31,605	-	-	-	31,605	-
	Hiwin China	Subsidiary	Trade receivables from related parties	981,980	3.15	-	-	498,278	-
	Eterbright	Subsidiary	Trade receivables from related parties	129,817	1.69	-	-	191	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
The Company	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	$ 224,257	$ 224,257	-	100	$ 1,934,803	$ 184,400	$ 184,400	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	648,513	103,997	103,997	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	39,300	(176,778)	(176,778)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	152,032	48,985	19,594	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	(643,793)	(534,534)	(396,464)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(885)	48,063	48,063	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(85,532)	(21,203)	(21,203)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	603,244	603,244	2,171,075	51	95,313	(212,378)	(115,153)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,706	(32)	(32)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	88,729	28,376	28,376	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	261,614	(53,544)	(49,337)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	-	243,000	81	206,720	19,398	16,110	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	67,800 (EUR 1,936)	(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	45,066	19,398	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: For information on investments in mainland China, see Table 8.

TABLE 8

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 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 December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YIFU Finance	Finance leasing	$ 239,602 (USD 8,413)	(Note 1)	$ 139,733 (USD 5,017)	$ -	$ 120,477 (USD 4,213)	$ 19,256 (USD 804)	$ (34,829)	19	(Note 3)	$ 36,427	$ 110,732 (USD 3,614)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	70,402	100	$ 70,402 (Note 4)	1,798,349	-
Luren Shanghai	Sale of gear cutting tools and machinery	14.047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(6,790)	51	(3,686) (Note 4)	2,183	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	153	51	83 (Note 4)	2,797	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Company	$ 1,517,296 (USD 804 and RMB 300,000)	$ 1,583,660 (USD 9,500 and RMB 300,000)	(Note 5)
Matrix Precision	$ 23,123 (USD 439 and RMB 2,000)	$ 23,123 (USD 439 and RMB 2,000)	$ 58,733 (Note 5)

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

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

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

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

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

<u>**TABLE 9**</u>

HIWIN TECHNOLOGIES CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,363,669	6.75%

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

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

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HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			$ 115
Foreign currencies			1,516
			1,631
Cash in banks			
Checking accounts			91,841
Demand deposits			351,839
Foreign deposits			
USD	2,857	28.480	81,372
EUR	2,187	35.02	76,586
RMB	83,236	4.377	364,323
JPY	456,537	0.2763	126,141
GBP	22	38.90	843
			1,092,945
Cash equivalents			
Foreign time deposits			
RMB	54,500	4.377	238,546
			$ 1,333,122

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 16	$ 6,998
Company 31	4,168
Company 27	2,932
Others (Note)	37,922
	52,020
Less: Allowance for impairment loss	(520)
	$ 51,500

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 28	$ 1,397,685
Company 9	510,508
Company 22	342,921
Company 13	274,472
Company 21	217,274
Company 25	202,104
Others (Note)	972,100
	3,917,064
Less: Allowance for impairment loss	(457)
	$ 3,916,607

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	Market Price (Note 1)
Merchandise	$ 2,017	$ 2,017
Finished goods	353,127	659,641
Work in process	1,236,217	1,236,217
Raw materials	1,880,914	1,880,914
Inventories in transit	203,634	203,634
	$ 3,675,909	$ 3,982,423

Note 1: Inventories are stated at the lower of cost or net realizable.

Note 2: Inventories are not provided as collateral.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2020		Additions		Decrease		Balance, December 31, 2020		
Investees	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	Collateral
Hiwin Mikrosystem	9,375,113	$ 787,509	56,250	$ 72,631	-	$ -	9,431,363	$ 860,140	None
Sunengine (Note 1)	2,063,681	-	-	-	1,475,532	-	588,149	-	None
Taichung International Country Club	1	2,500	-	150	-	-	1	2,650	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
Kaland (Note 2)	323,289	205,055	-	-	-	168,628	323,289	36,427	None
Ever Fortune	2,000,000	28,010	573,000	17,007	-	-	2,573,000	45,017	None
		$ 1,023,074		$ 89,788		$ 168,628		$ 944,234	

Note 1: The shares decreased this year due to reduction in capital for offsetting deficit.

Note 2: The amounts decreased this year due to return of share premium of $120,477 thousand.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2020		Additions		Decrease (Note 2)		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Unrealized Gain	Balance, December 31, 2020			Net Equity Value	Original Investment Cost December 31, 2020	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	$ 1,589,621	-	$ -	-	$ -	$ -	$ 226,536	$ 85,720	$ 32,926	-	100	$ 1,934,803	$ 2,118,990	$ 224,257	Nil
Hiwin USA	2,148,000	546,203	-	-	-	-	-	103,997	(35,353)	33,666	2,148,000	100	648,513	700,038	353,844	Nil
Hiwin Japan	54,200	183,404	-	-	-	-	-	(176,778)	673	32,001	54,200	100	39,300	90,486	817,642	Nil
Eterbright (Note 1)	171,449,427	(235,410)	-	-	-	-	-	(396,464)	-	(11,919)	171,449,427	74	(643,793)	(631,874)	2,983,556	Nil
Hiwin Singapore (Note 1)	5,000,000	(53,375)	-	-	-	-	-	48,063	1,570	2,857	5,000,000	100	(885)	10,065	117,550	Nil
Hiwin Korea (Note 1)	1,440,000	(73,892)	-	-	-	-	-	(21,203)	(1,416)	10,979	1,440,000	100	(85,532)	(66,391)	202,945	Nil
Hiwin China	-	1,709,476	-	-	-	-	-	70,403	31,333	(12,863)	-	100	1,798,349	1,881,788	1,498,040	Nil
Matrix Precision	21,710,747	120,994	-	-	(19,539,672)	-	84,098	(110,234)	5	450	2,171,075	51	95,313	46,454	603,244	Nil
Hiwin Healthcare Corp.	100,000	2,881	-	-	-	-	-	(32)	(143)	-	100,000	100	2,706	2,706	3,108	Nil
Hiwin Italy	-	23,882	-	-	-	-	-	26,851	6,527	31,469	-	100	88,729	162,189	296,580	Nil
Matrix	4,649,500	315,544	-	-	-	-	-	(49,337)	(4,637)	44	4,649,500	100	261,614	183,614	461,344	Nil
Hiwin Schweiz	-	-	243,000	266,300	-	-	(79,407)	16,110	5,757	(2,040)	243,000	81	206,720	251,537	266,300	Nil
		$ 4,129,328		$ 266,300		$ -	$ 4,691	$ (262,088)	$ 90,036	$ 117,570			$ 4,345,837	$ 4,749,602	$ 7,828,410	
Investments in associates																
Mega-Fabs	240,000	$ 131,594	-	$ -	-	$ -	$ -	$ 19,594	$ 843	$ -	240,000	40	$ 152,031	$ 119,202	$ 42,444	Nil

Note 1: The balance as of December 31, 2020 was accounted for as credit balance for investments accounted for using the equity method.

Note 2: The shares decreased due to reduction in capital for offsetting deficit.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Cost				
Land	$ 142,040	$ 2,660	$ -	$ 144,700
Building	138,343	83,586	41,904	180,025
Total cost	280,383	$ 86,246	$ 41,904	324,725
Accumulated depreciation				
Land	7,891	$ 8,048	-	15,939
Building	34,140	54,446	16,681	71,905
Total accumulated depreciation	42,031	$ 62,494	$ 16,681	87,844
Right-of-use assets	$ 238,352			$ 236,881

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF SHORT-TERM BANK BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Loans for export sales			
The Export-Import Bank of the Republic of China, Taichung Branch	2021.9.29	0.51	$ 710,000
Line of credit borrowings			
Mizuho Bank Ltd., Taichung Branch	2021.6.28	0.82	620,000
Bank of Taiwan, Taichung Industrial Park Branch	2021.2.25	0.88	400,000
Land Bank of Taiwan, Taichung Branch	2021.3.28	0.85	200,000
HSBC Bank (Taiwan) Limited, Taichung Branch	2021.3.29	0.77	50,000
			1,270,000
			$ 1,980,000

Note: The maturity date is the last date of multiple loans.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	$ 3,056,834

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2034.2.21	Repayable monthly from November 30, 2013 in 48, 60, 144 and 180 installments	1.01-1.49	$ 782,093	$ 4,951,558	$ 5,733,651
The Export-Import Bank of the Republic of China, Taichung Branch	2020.4.30-2027.4.15	Repayable monthly from May 15,2023 in 48 installments	0.36	-	18,641	18,641
Chang Hwa Commercial Bank, Hisitun Branch	2020.5.26-2027.5.15	Repayable monthly from May 15,2023 in 48 installments	0.90	-	1,581	1,581
Unsecured loan						
KGI Bank, Shizheng Branch	2019.2.1-2021.2.1	Repayable every 120 days, due for renewal	0.89	200,000	-	200,000
Bank of Taiwan, Taichung Industrial Park Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	0.70	-	2,845	2,845
				$ 982,093	$ 4,974,625	$ 5,956,718

Note 1: Property, plant and equipment pledged as collateral in the amount of $13,920,763 thousand for bank borrowings.

Note 2: The period indicates the earliest loan date and the last due date of the multiple borrowings.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate (%)	Amount
Land	17 years	1.45	$ 128,899
Building	1 to 7 years	1.45	108,702
			237,601
Less: Current portion			(48,593)
Lease liabilities - non-current			$ 189,008

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 21,470	$ 11,580,875
Ballscrews	About 1,297	3,135,843
Others		2,069,878
		16,786,596
Less: Sales return		(466)
Sales discount		(2,998)
Sales		$ 16,783,132

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials, beginning of year	$ 2,563,836	
Raw materials purchased	4,437,189	
Sale of raw materials	(71,184)	
Raw materials scrapped	(10,922)	
Raw materials, end of year	(1,581,511)	
Raw materials used		$ 5,337,408
Supplies, beginning of year	830,882	
Supplies purchased	1,496,414	
Sale of supplies	(21,074)	
Transferred to manufacturing expense and prepayments for machinery and equipment	(1,605,340)	
Supplies, end of year	(700,882)	
Supplies used		-
Direct labor		2,324,953
Manufacturing expenses		4,957,748
Manufacturing cost		12,620,109
Work in process, beginning of year		1,092,713
Work in process, end of year		(1,262,127)
Cost of finished goods		12,450,695
Finished goods, beginning of year		723,602
Finished goods, end of year		(446,373)
Transferred to research and development and selling expense		(129,887)
Other adjustment		(58,272)
Cost of goods sold		12,539,765
Merchandise, beginning of year	3,351	
Merchandise purchased	1,414	
Transferred to manufacturing expense	(797)	
Transferred from prepayment for machinery and equipment	111,228	
Merchandise, end of year	(2,017)	
Cost of merchandise sold		113,179
Cost of raw materials and supplies sold		92,258
Inventory write-downs		89,000
Loss from inventories scraps		10,922
Maintenance and warranty expense		25,632
Unallocated fixed overhead		142,866
Revenue from sale of scraps		(80,439)
Operating costs		$ 12,933,183

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	$ 97,095	$ 391,668	$ 463,587	$ 952,350
Depreciation expense	4,405	94,151	87,172	185,728
Donation	-	40,469	-	40,469
Shipping expense	60,076	802	1,135	62,013
Others	105,871	196,782	248,322	550,975
Total	$ 267,447	$ 723,872	$ 800,216	$ 1,791,535