Hiwin Mikrosystem Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the Taiwan Stock Exchange (TWSE) "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2022 are identical to the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prescribed in International Financial Reporting Standard (IFRS) 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, no separate set of consolidated financial statements of affiliates was prepared.

Very truly yours,

HIWIN MIKROSYSTEM CORPORATION

By:

____

Chuo, Shou-Yeu
Chairperson

February 23, 2023

勤業眾信
勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Mikrosystem Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hiwin Mikrosystem Corporation (the "Corporation") and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

Valuation and Impairment Assessment of Inventory

As of December 31, 2022, the carrying amount of inventory was $1,149,422 thousand, accounting for 20% of consolidated total assets and is material to the consolidated financial statements. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which is 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 and critical accounting estimation on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the consolidated financial statements.

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

1. We understood and assessed the related internal controls, procedures and policy on the valuation of inventory.

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of Hiwin Mikrosystem Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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 Shu-Ching Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2023

Notice to Readers

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

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 747,049	13	$ 729,824	12
Notes receivable, net (Notes 4 and 10)	7,059	-	10,521	-
Trade receivables from unrelated parties, net (Notes 4, 10)	213,324	4	342,702	6
Trade receivables from related parties, net (Notes 4, 10 and 26)	282,006	5	220,841	4
Other receivables (Notes 4 and 26)	17,481	-	15,126	-
Inventories (Notes 4, 5 and 11)	1,149,422	20	1,063,104	18
Other current assets	31,528	-	34,498	1
Total current assets	2,447,869	42	2,416,616	41
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	26,678	-	-	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	953	-	1,454	-
Property, plant and equipment (Notes 4, 13, 26 and 27)	3,153,905	54	3,229,340	55
Right-of-use assets (Notes 4 and 14)	49,622	1	58,013	1
Intangible assets (Notes 4, 15 and 26)	25,642	-	26,630	-
Goodwill (Note 4)	49,218	1	49,218	1
Deferred tax assets (Notes 4 and 21)	61,780	1	55,001	1
Prepayments for machinery and equipment (Note 26)	44,553	1	58,241	1
Refundable deposits (Note 4)	4,025	-	884	-
Total non-current assets	3,416,376	58	3,478,781	59
TOTAL	$ 5,864,245	100	$ 5,895,397	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 80,000	1	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	763	-	-	-
Contract liabilities (Note 4)	17,275	-	35,444	1
Notes payable	1,305	-	4,765	-
Trade payables	366,982	6	562,363	9
Other payables (Note 17)	447,963	8	349,047	6
Current tax liabilities (Notes 4 and 21)	22,542	1	49,879	1
Lease liabilities - current (Notes 4 and 14)	1,184	-	-	-
Current portion of long-term loans (Notes 16 and 27)	87,081	2	107,009	2
Other current liabilities (Note 4)	2,292	-	7,395	-
Total current liabilities	1,027,387	18	1,115,902	19
NON-CURRENT LIABILITIES				
Long-term loans (Notes 16 and 27)	607,346	10	825,059	14
Deferred tax liabilities (Notes 4 and 21)	61,094	1	41,394	1
Lease liabilities - non-current (Notes 4 and 14)	42,896	1	44,237	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	11,716	-	12,902	-
Other non-current liabilities (Note 26)	3,247	-	2,190	-
Total non-current liabilities	726,299	12	925,782	16
Total liabilities	1,753,686	30	2,041,684	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	1,198,018	20	1,198,018	20
Capital surplus	1,578,181	27	1,578,181	27
Retained earnings				
Legal capital reserve	124,021	2	94,378	2
Unappropriated earnings	1,002,977	17	825,154	14
Other equity	(3,867)	-	8,264	-
Total equity attributable to owners of the Corporation	3,899,330	66	3,703,995	63
NON-CONTROLLING INTERESTS	211,229	4	149,718	2
Total equity	4,110,559	70	3,853,713	65
TOTAL	$ 5,864,245	100	$ 5,895,397	100

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 26)	$ 3,228,380	100	$ 3,184,304	100
COST OF GOODS SOLD (Notes 11, 20 and 26)	2,111,993	65	2,098,095	66
GROSS PROFIT	1,116,387	35	1,086,209	34
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	149,909	5	133,628	4
General and administrative expenses	276,500	8	242,796	8
Research and development expenses	311,422	10	313,943	10
Total operating expenses	737,831	23	690,367	22
PROFIT FROM OPERATIONS	378,556	12	395,842	12
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	4,701	-	10,718	-
Finance costs (Notes 4 and 20)	(12,588)	-	(11,524)	-
Interest income (Note 4)	1,166	-	181	-
Other income (Note 26)	38,355	1	14,390	1
Net foreign exchange gain (loss) (Notes 4 and 29)	77,202	2	(28,358)	(1)
Other expenses (Note 20)	(15,063)	-	(154)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	(1,081)	-	67	-
Total non-operating income and expenses	92,692	3	(14,680)	-
PROFIT BEFORE INCOME TAX	471,248	15	381,162	12
INCOME TAX EXPENSE (Notes 4 and 21)	78,767	3	54,868	2
NET PROFIT FOR THE YEAR	392,481	12	326,294	10
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	408	-	(795)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(7,297)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	(82)	-	159	-
	(6,971)	-	(636)	-

(Continued)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (10,070)	-	$ 3,314	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	1,208	-	(397)	-
	(8,862)	-	2,917	-
Other comprehensive income (loss) for the year, net of income tax	(15,833)	-	2,281	-
	$ 376,648	12	$ 328,575	10
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 326,942	10	$ 297,067	9
Non-controlling interests	65,539	2	29,227	1
	$ 392,481	12	$ 326,294	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 315,137	10	$ 298,023	9
Non-controlling interests	61,511	2	30,552	1
	$ 376,648	12	$ 328,575	10
EARNINGS PER SHARE (Note 22)				
Basic	$ 2.73		$ 2.48	
Diluted	$ 2.72		$ 2.48	

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Note 19)									
		Capital Surplus		Retained Earnings		Other Equity				
	Ordinary Shares	Issuance of Shares	Employee Share Options	Legal Capital 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	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	$ 1,186,157	$ 1,576,813	$ 1,368	$ 80,895	$ 589,652	$ 6,672	$ -	$ 3,441,557	$ 119,166	$ 3,560,723
Appropriation of 2020 earnings										
Legal capital reserve	-	-	-	13,483	(13,483)	-	-	-	-	-
Cash dividends	-	-	-	-	(35,585)	-	-	(35,585)	-	(35,585)
Share dividends	11,861	-	-	-	(11,861)	-	-	-	-	-
	11,861	-	-	13,483	(60,929)	-	-	(35,585)	-	(35,585)
Net profit for the year ended December 31, 2021	-	-	-	-	297,067	-	-	297,067	29,227	326,294
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	(636)	1,592	-	956	1,325	2,281
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	296,431	1,592	-	298,023	30,552	328,575
BALANCE AT DECEMBER 31, 2021	1,198,018	1,576,813	1,368	94,378	825,154	8,264	-	3,703,995	149,718	3,853,713
Appropriation of 2021 earnings										
Legal capital reserve	-	-	-	29,643	(29,643)	-	-	-	-	-
Cash dividends	-	-	-	-	(119,802)	-	-	(119,802)	-	(119,802)
	-	-	-	29,643	(149,445)	-	-	(119,802)	-	(119,802)
Net profit for the year ended December 31, 2022	-	-	-	-	326,942	-	-	326,942	65,539	392,481
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	326	(4,834)	(7,297)	(11,805)	(4,028)	(15,833)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	327,268	(4,834)	(7,297)	315,137	61,511	376,648
BALANCE AT DECEMBER 31, 2022	$ 1,198,018	$ 1,576,813	$ 1,368	$ 124,021	$ 1,002,977	$ 3,430	$ (7,297)	$ 3,899,330	$ 211,229	$ 4,110,559

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 471,248	$ 381,162
Adjustments for:		
Depreciation expenses	167,148	174,217
Amortization expenses	10,816	10,283
Expected credit loss recognized (reversed) on trade receivables	(113)	44
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	763	(34)
Finance costs	12,588	11,524
Interest income	(1,166)	(181)
Dividend income	(617)	-
Loss (gain) on disposal of property, plant and equipment	582	(64)
Write-down of inventories	23,488	53,921
Unrealized foreign currency exchange loss (gain), net	(6,740)	2,442
Others	78	(236)
Changes in operating assets and liabilities		
Notes receivable	3,568	(4,190)
Trade receivables	73,744	(135,382)
Other receivables	(2,355)	(8,039)
Inventories	(126,821)	(220,956)
Other current assets	2,894	23,078
Contract liabilities	(18,169)	(9,168)
Notes payable	(3,446)	665
Trade payables	(194,509)	236,000
Other payables	104,509	89,618
Other current liabilities	(5,103)	4,076
Net defined benefit liabilities	(778)	(372)
Cash generated from operations	511,609	608,408
Interest received	1,166	181
Dividends received	617	-
Interest paid	(11,216)	(10,602)
Income taxes paid	(92,261)	(28,569)
Net cash generated from operating activities	409,915	569,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(33,975)	-
Purchase of financial assets at amortized cost	-	(495)
Payments for property, plant and equipment	(49,596)	(51,231)
Proceeds from disposal of property, plant and equipment	645	115
Decrease (increase) in refundable deposits	(3,141)	279
Payments for intangible assets	(9,828)	(14,467)
Increase in prepayments for machinery and equipment	(10,542)	(23,164)
Net cash used in investing activities	(106,437)	(88,963)

(Continued)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term loans	$ 80,000	$ (150,000)
Proceeds from long-term loans	45,000	50,000
Repayments of long-term loans	(282,704)	(106,315)
Proceeds from guarantee deposits received	1,022	235
Repayment of the principal portion of lease liabilities	-	(846)
Dividends paid	(119,802)	(35,585)
Net cash used in financing activities	(276,484)	(242,511)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(9,769)	2,690
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,225	240,634
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	729,824	489,190
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 747,049	$ 729,824

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hiwin Mikrosystem Corporation (the "Corporation") was incorporated on April 1, 1997. It manufactures, repairs and sells a variety of motors, drives and automation systems.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TWSE) since September 4, 2019.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on February 23, 2023.

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 Financial Supervisory Commission (FSC)

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

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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

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

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

See Note 12 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of the entities in the Group, transactions in currencies other than the entity's functional currency (i.e., 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Group's foreign operations (including the subsidiaries in other countries that are prepared using functional 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 and attributed to the owners of the Corporation and non-controlling interests as appropriate.

f. 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.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less 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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. 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.

h. Goodwill

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

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

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

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

i. Intangible assets

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.

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in other gains or losses. 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, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

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

ii) Breach of contract, such as a default;

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Corporation’s own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities which are stated at fair value and any gains or losses on such financial liabilities are recognized in other gains or losses, all the financial liabilities are measured at amortized cost using the effective interest method:

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 Group 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 a 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 with sale contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group’s obligation.

m. Revenue recognition

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

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

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

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

n. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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 future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated 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. 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 Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in subsidy revenue on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

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

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 Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Group 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 is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures 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, except where the Group is able to control the reversal of the temporary difference and it is possible that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. 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	
	2022	**2021**
Cash on hand	$ 1,468	$ 902
Checking accounts and demand deposits	730,226	513,250
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	15,355	215,672
	$ 747,049	$ 729,824
Rate of interest per annum (%)		
Cash in bank	0.001-4.00	0.001-0.10
Time deposits (investments with original maturities of 3 months or less)	4.33-4.35	0.06-0.535

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting was as follow:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2022			
Sell	JPY/NTD	2023.3.10-2023.6.12	JPY82,950/NTD18,408

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

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

	December 31
	2022
Name of Investee Company	
Domestic listed ordinary shares	
Hiwin Technologies Corporation (Hiwin Technologies)	$ 26,678

The investment in equity instrument is held for medium to long-term strategic purposes. Accordingly, the management elected to designate the investment in equity instrument as at FVTOCI as they believe that recognizing short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	December 31	
	2022	2021
Domestic investments		
Government bonds (a)	$ 953	$ 959
Time deposits with original maturities of more than 3 months (b)	-	495
	$ 953	$ 1,454

a. On March 13, 2019, the Corporation bought government bonds at face value of $900 thousand with a coupon rate of 1.625%, an effective interest rate of 0.95% and maturity in March 2032 that was pledged as investment deposit for the Central Taiwan Science Park.

b. The interest rate for time deposits with original maturities of longer than 3 months was 0.10% per annum as of December 31, 2021.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable		
At amortized cost		
Gross carrying amount	$ 7,059	$ 10,627
Less: Allowance for impairment loss	-	(106)
	$ 7,059	$ 10,521
Trade receivables		
At amortized cost		
Gross carrying amount	$ 495,330	$ 563,550
Less: Allowance for impairment loss	-	(7)
	$ 495,330	$ 563,543

a. Notes receivable

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

	December 31	
	2022	**2021**
Not past due	$ 7,059	$ 10,627
Past due	-	-
	$ 7,059	$ 10,627

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

b. Trade receivables

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

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

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

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. The recoveries made 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, 2022					
Gross carrying amount	$ 484,663	$ 10,604	$ 63	$ -	$ 495,330
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 484,663	$ 10,604	$ 63	$ -	$ 495,330
December 31, 2021					
Gross carrying amount	$ 559,779	$ 3,730	$ 41	$ -	$ 563,550
Loss allowance (Lifetime ECL)	(3)	(4)	-	-	(7)
Amortized cost	$ 559,776	$ 3,726	$ 41	$ -	$ 563,543

The movements of the loss allowance were as follows:

	For the Year Ended December 31,2022	
	Notes Receivable	Trade Receivables
Balance at January 1, 2022	$ 106	$ 7
Net remeasurement of loss allowance	(106)	(7)
Balance at December 31, 2022	$ -	$ -

	For the Year Ended December 31,2021	
	Notes Receivable	Trade Receivables
Balance at January 1, 2021	$ 64	$ 5
Net remeasurement of loss allowance	42	2
Balance at December 31, 2021	$ 106	$ 7

11. INVENTORIES

	December 31	
	2022	2021
Merchandise	$ 403	$ 394
Finished goods	120,535	114,732
Work in process	259,216	320,187
Raw materials and supplies	769,268	627,791
	$ 1,149,422	$ 1,063,104

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was $2,111,993 thousand and $2,098,095 thousand, respectively.

The cost of inventories recognized as cost of goods sold included inventory write-downs of $23,488 thousand and $53,921 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

		% of Ownership	
		December 31	
Investee	Main Business	2022	2021
Mega-Fabs Motion Systems Ltd. (“Mega-Fabs”)	Research, development, manufacture and sale of drives and controllers	60	60

The financial statements of Mega-Fabs have been audited by the auditors.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31 2022	December 31 2021
Assets used by the Group	$ 2,762,686	$ 3,117,632
Assets leased under operating leases	391,219	111,708
	$ 3,153,905	$ 3,229,340

a. Assets used by the Group

For the Year Ended December 31, 2022

	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
Cost							
Land	$1,598,673	$ -	$ -	$ -	$ -	$ -	$1,598,673
Buildings and improvements	1,768,240	4,983	-	1,681	(307,207)	-	1,467,697
Machinery and equipment	585,532	23,706	(34,133)	28,989	-	-	604,094
Transportation equipment	30,142	660	-	-	-	-	30,802
Molding equipment	85,312	6,713	(563)	651	-	-	92,113
Leasehold improvements	36,112	533	-	-	-	(713)	35,932
Miscellaneous equipment	141,637	7,074	(3,552)	8,470	-	(228)	153,401
Construction in progress	685	4,073	-	(1,681)	-	-	3,077
	4,246,333	$ 47,742	$ (38,248)	$ 38,110	$ (307,207)	$ (941)	3,985,789
Accumulated depreciation							
Buildings and improvements	522,136	$ 63,780	$ -	$ -	$ (13,972)	$ -	571,944
Machinery and equipment	394,471	54,691	(33,510)	-	-	-	415,652
Transportation equipment	20,523	2,955	-	-	-	-	23,478
Molding equipment	74,315	7,176	(563)	-	-	-	80,928
Leasehold improvements	11,552	3,635	-	-	-	(285)	14,902
Miscellaneous equipment	105,704	13,633	(2,948)	-	-	(190)	116,199
	1,128,701	$ 145,870	$ (37,021)	$ -	$ (13,972)	$ (475)	1,223,103
	$3,117,632						$2,762,686

For the Year Ended December 31, 2021

	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
Cost							
Land	$1,598,673	$ -	$ -	$ -	$ -	$ -	$1,598,673
Buildings and improvements	1,466,290	5,640	-	411,058	(114,748)	-	1,768,240
Machinery and equipment	567,842	12,834	(1,731)	6,587	-	-	585,532
Transportation equipment	25,135	5,952	(945)	-	-	-	30,142
Molding equipment	80,403	5,676	(1,213)	446	-	-	85,312
Leasehold improvements	35,897	44	-	-	-	171	36,112
Miscellaneous equipment	120,031	11,685	(988)	10,836	-	73	141,637
Construction in progress	410,439	1,304	-	(411,058)	-	-	685
	4,304,710	$ 43,135	$ (4,877)	$ 17,869	$ (114,748)	$ 244	4,246,333
Accumulated depreciation							
Buildings and improvements	441,716	$ 80,420	$ -	$ -	$ -	$ -	522,136
Machinery and equipment	341,225	54,977	(1,731)	-	-	-	394,471
Transportation equipment	18,874	2,543	(894)	-	-	-	20,523
Molding equipment	66,181	9,347	(1,213)	-	-	-	74,315
Leasehold improvements	7,902	3,520	-	-	-	130	11,552
Miscellaneous equipment	93,267	13,342	(988)	-	-	83	105,704
	969,165	$ 164,149	$ (4,826)	$ -	$ -	$ 213	1,128,701
	$3,335,545						$3,117,632

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	8-20 years
Machinery and equipment	4-12 years
Transportation equipment	5-6 years
Molding equipment	2-10 years
Leasehold improvements	7-14 years
Miscellaneous equipment	3-17 years

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

b. Assets subject to operating leases

	For the Year Ended December 31, 2022			
	Beginning Balance	**Transferred from Assets Used by the Group**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ 114,748	$ 307,207	$ 173	$ 422,128
Accumulated depreciation				
Buildings and improvements	3,040	$ 13,972	$ 13,897	30,909
	$ 111,708			$ 391,219

	For the Year Ended December 31, 2021			
	Beginning Balance	**Transferred from Assets Used by the Group**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ -	$ 114,748	$ -	$ 114,748
Accumulated depreciation				
Buildings and improvements	-	$ -	$ 3,040	3,040
	$ -			$ 111,708

Operating leases relate to leases of buildings with lease terms ranging from 2 to 3 years. The lessees do not have purchase options to acquire the assets at the expiration of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2022	2021
Year 1	$ 19,390	$ 4,633
Year 2	6,125	4,633
Year 3	1,531	-
	$ 27,046	$ 9,266

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	10-20 years

Lease commitments with lease terms commencing after the balance sheet date are as follows:

	December 31	
	2022	2021
Lease commitments of property, plant and equipment	$ -	$ 12,271

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Buildings	$ 49,622	$ 58,013

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ -	$ 2,881
Depreciation charge for right-of-use assets		
Buildings	$ 7,381	$ 7,028

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts		
Current	$ 1,184	$ -
Non-current	42,896	44,237
	$ 44,080	$ 44,237

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.60%-1.61%	1.60%-1.61%

c. Material lease-in activities and terms

The Group leases an office space for office and warehouse with lease term of 5 years. The Group has priority right to renew the lease for 6 years but does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

15. INTANGIBLE ASSETS

	For the Year Ended December 31, 2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 30,820	$ 215	$ -	$ 31,035
Patents	25,296	1,585	-	26,881
Computer Software	71,010	8,028	(6)	79,032
	127,126	$ 9,828	$ (6)	136,948
Accumulated amortization				
Trademarks	28,606	$ 388	$ -	28,994
Patents	15,249	1,487	-	16,736
Computer Software	56,641	8,941	(6)	65,576
	100,496	$ 10,816	$ (6)	111,306
	$ 26,630			$ 25,642

	For the Year Ended December 31, 2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 29,860	$ 960	$ -	$ 30,820
Patents	23,712	1,584	-	25,296
Computer Software	59,104	11,923	(17)	71,010
	112,676	$ 14,467	$ (17)	127,126
Accumulated amortization				
Trademarks	28,198	$ 408	$ -	28,606
Patents	13,736	1,513	-	15,249
Computer Software	48,296	8,362	(17)	56,641
	90,230	$ 10,283	$ (17)	100,496
	$ 22,446			$ 26,630

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Trademarks	7-29 years
Patents	10-26 years
Computer Software	1-7 years

16. BANK LOANS

a. Short-term bank loans

	December 31	
	2022	2021
Unsecured bank loans		
Credit bank loans	$ 80,000	$ -
Rate of interest per annum (%)		
Credit bank loans	1.65	-

b. Long-term bank loans

	December 31	
	2022	2021
Secured bank loans (Note 27)		
Secured loans - maturity dates range from September, 2024 to December, 2031	$ 570,071	$ 844,303
Unsecured bank loans		
Unsecured loans - maturity dates range from May, 2025 to October, 2027	124,356	87,765
	694,427	932,068
Less: Current portion	(87,081)	(107,009)
Long-term bank loans	$ 607,346	$ 825,059
Rate of interest per annum (%)		
Secured loans	1.73-1.93	1.03-1.21
Unsecured loans	1.02-1.19	0.36-0.72

In October 2019, the Corporation received the Ministry of Economic Affairs' approval for the qualification of 'Domestic Corporations' in Taiwan, and received subsidy for the processing fees of long-term bank loans. As of December 31, 2022, $129,300 thousand was drawn down for the purchase of machinery and equipment and for the operating capital. The Corporation recognized $2,348 thousand as government grant, the difference between the value of the loan obtained at a lower-than-market interest rate and its fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the related asset.

17. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	$ 335,771	$ 249,135
Payables for annual leave	28,577	27,087
Payables for purchases of building and equipment	4,073	5,754
Others	79,542	67,071
	$ 447,963	$ 349,047

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation 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.

Mega-Fabs has a defined contribution pension plan and is independently administered.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2022	**2021**
Present value of defined benefit obligation	$ 30,970	$ 29,441
Fair value of plan assets	(19,254)	(16,539)
Net defined benefit liabilities	$ 11,716	$ 12,902

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2022	$ 29,441	$ (16,539)	$ 12,902
Service cost			
Current service cost	481	-	481
Net interest expense (income)	147	(86)	61
Recognized in profit or loss	628	(86)	542
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,309)	(1,309)
Actuarial gain - changes in financial assumptions	(272)	-	(272)
Actuarial loss - experience adjustments	1,173	-	1,173
Recognized in other comprehensive income	901	(1,309)	(408)
Contributions from the employer	-	(1,320)	(1,320)
Balance at December 31, 2022	$ 30,970	$ (19,254)	$ 11,716

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	$ 28,672	$ (16,193)	$ 12,479
Service cost			
Current service cost	481	-	481
Past service cost	274	-	274
Net interest expense (income)	108	(63)	45
Recognized in profit or loss	863	(63)	800
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(218)	(218)
Actuarial loss - changes in demographic assumptions	623	-	623
Actuarial gain - changes in financial assumptions	(243)	-	(243)
Actuarial loss - experience adjustments	633	-	633
Recognized in other comprehensive income	1,013	(218)	795
Contributions from the employer	-	(1,172)	(1,172)
Benefits paid	(1,107)	1,107	-
Balance at December 31, 2021	$ 29,441	$ (16,539)	$ 12,902

Through the defined benefit plans under the Labor Standards Act, the Corporation 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	
	2022	2021
Discount rates (%)	1.125	0.50
Expected rates of salary increase (%)	3.50	3.00

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	$ (461)	$ (485)
0.25% decrease	$ 475	$ 500
Expected rate of salary increase/decrease		
0.25% increase	$ 456	$ 479
0.25% decrease	$ (445)	$ (467)

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

	December 31	
	2022	2021
Expected contributions to the plan for the next year	$ 1,231	$ 1,165
Average duration of the defined benefit obligation	5.9 years	6.5 years

19. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	119,802	119,802
Shares issued	$ 1,198,018	$ 1,198,018

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

b. Capital surplus

Capital surplus that arises from shares issued in excess of par value may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

Capital surplus that arises from employee share options may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal capital reserve at 10% of the remaining profit, until the accumulated legal capital reserve equals the Corporation's paid-in capital, then setting aside or reversing a special capital reserve in accordance with the laws and regulations, and then reserves equal or less than 6% of the remaining profit as cash dividend out of the remaining balance. Dividends can be distributed in the form of cash or share dividends, provided that the value of share dividends do not exceed two-thirds of the Corporation's dividends for the year. A distribution plan is proposed by the board of directors and approved by the shareholders in shareholders' meeting. Dividends distributed in whole or in part by cash can be approved by a board meeting that is attended by at least two-thirds of the board and approved by over one-half of the directors present, submitted to the shareholders' meeting. Approval by the shareholders is not necessary.

Policies on the distribution of compensation of employees and remuneration of directors under the Corporation's Articles, refer to compensation of employees and remuneration of directors in Note 20-c.

The legal capital reserve may be used to offset the Corporation's losses. If the Corporation is not operating at a loss and the legal capital reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or be distributed in the form of cash.

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2021	**2020**	**2021**	**2020**
Legal capital reserve	$ 29,643	$ 13,483		
Cash dividends	119,802	35,585	$ 1	$ 0.3
Share dividends	-	11,861	-	0.1

The above 2021 and 2020 appropriations for cash dividends have been approved by the Corporation's board of directors on February 24, 2022 and March 22, 2021 respectively; the other proposed appropriations for 2021 and 2020 were also approved by the shareholders in the shareholders' meetings on May 31, 2022 and July 22, 2021, respectively.

The appropriations of earnings for 2022 proposed by the Corporation's board of directors on February 23, 2023 per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal capital reserve	$ 32,727	
Special capital reserve	3,867	
Cash dividends	119,802	$ 1

The appropriation of earnings for 2022 is subject to the resolution by the shareholders in their meeting to be held on May 30, 2023.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 11,872	$ 10,852
Interest on lease liabilities	716	672
	$ 12,588	$ 11,524

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest amount	$ 822	$ 1,112
Capitalization rates (%)	1.01-1.83	0.80-1.28

b. Employee benefits expense, depreciation and amortization

	Operating Costs	Operating Expenses	Other Operating Income and Expenses	Total
For the Year Ended December 31, 2022				
Short-term employee benefits	$ 342,811	$ 505,311	$ -	$ 848,122
Post-employment benefits				
Defined contribution plans	11,805	16,486	-	28,291
Defined benefit plans (Note 18)	335	207	-	542
Other employee benefits	10,784	9,807	-	20,591
Depreciation expenses	104,218	49,033	13,897	167,148
Amortization expenses	591	10,225	-	10,816
For the Year Ended December 31, 2021				
Short-term employee benefits	302,701	438,259	-	740,960
Post-employment benefits				
Defined contribution plans	11,344	14,934	-	26,278
Defined benefit plans (Note 18)	324	476	-	800
Other employee benefits	9,523	8,605	-	18,128
Depreciation expenses	108,526	65,691	-	174,217
Amortization expenses	321	9,962	-	10,283

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4% of net profit before income tax, for compensation of employees, and the remuneration of directors respectively. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, approved by the Corporation’s board of directors on February 23, 2023 and February 24, 2022, respectively, were as follows:

Cash	For the Year Ended December 31			
	2022		2021	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	5.14%	$ 21,847	5.21%	$ 19,554
Remuneration of directors	2.57%	10,923	2.60%	9,777

Shall there be any change in the amounts after the annual consolidated financial statements authorized for issue, the differences are to be recorded as an adjustment to the accounting estimate of the next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Further information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System of the Taiwan Stock Exchange website.

21. INCOME TAXES

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

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 58,710	$ 55,160
Income tax of unappropriated earnings	4,241	2,454
Adjustments for prior years	1,973	(37)
	64,924	57,577
Deferred tax		
In respect of the current year	13,843	(2,709)
Income tax expense recognized in profit or loss	$ 78,767	$ 54,868

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

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	$ 92,051	$ 75,064
Non-deductible expenses in determining taxable income	310	131
Tax-exempt income	(123)	-
Income tax on unappropriated earnings	7,349	3,695
Investment tax credits used	(22,793)	(23,985)
Adjustments for prior years' tax	1,973	(37)
Income tax expense recognized in profit or loss	$ 78,767	$ 54,868

The tax rate applicable to the Group under the Income Tax Act in ROC is 20%; the tax rate applicable to Mega-Fabs for the years ended December 31, 2022 and 2021 is 7.5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 1,208	$ (397)
Remeasurement of defined benefit plans	(82)	159
	$ 1,126	$ (238)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 43,464	$ 1,827	$ -	$ 45,291
Payable for annual leave	462	(18)	-	444
Defined benefit obligation	2,580	(155)	(82)	2,343
Provisions	1,099	(994)	-	105
Payables for employees' bonuses	6,696	6,748	-	13,444
Unrealized loss on foreign currency exchange	700	(700)	-	-
Financial liabilities at FVTPL	-	153	-	153
	$ 55,001	$ 6,861	$ (82)	$ 61,780
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 39,328	$ 19,662	$ -	$ 58,990
Unrealized gain on foreign currency exchange	-	1,246	-	1,246
Exchange differences on translation of foreign operations	2,066	-	(1,208)	858
	$ 41,394	$ 20,908	$ (1,208)	$ 61,094

	For the Year Ended December 31, 2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 35,777	$ 7,687	$ -	$ 43,464
Payable for annual leave	410	52	-	462
Defined benefit obligation	2,496	(75)	159	2,580
Provisions	367	732	-	1,099
Payables for employees' bonuses	4,637	2,059	-	6,696
Unrealized loss on foreign currency exchange	-	700	-	700
Financial liabilities at FVTPL	7	(7)	-	-
	$ 43,694	$ 11,148	$ 159	$ 55,001
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 30,559	$ 8,769	$ -	$ 39,328
Unrealized gain on foreign currency exchange	579	(579)	-	-
Exchange differences on translation of foreign operations	1,669	-	397	2,066
	$ 32,807	$ 8,190	$ 397	$ 41,394

d. Unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Investment credits		
Research and development	$ -	$ 65,727

e. Income tax assessments

The tax returns of the Corporation through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2022			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 326,942	119,802	$ 2.73
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	340	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 326,942	120,142	$ 2.72
For the Year Ended December 31, 2021			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 297,067	119,802	$ 2.48
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	183	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 297,067	119,985	$ 2.48

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

23. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2022 and 2021.

Cash paid for acquisition of property, plant and equipment for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
Increase in property, plant and equipment	$ 47,915	$ 43,135
Decrease in payables for purchases of building and equipment	1,681	8,096
	$ 49,596	$ 51,231

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

	Short-term Bank loans	Long-term Bank loans	Lease Liabilities
Balance at January 1, 2022	$ -	$ 932,068	$ 44,237
Net financing cash flows	80,000	(237,704)	-
Interest under operating activities	-	-	716
Non-cash Changes			
Adjustments for government subsidy	-	63	-
Effects of foreign currency exchange	-	-	(873)
Balance at December 31, 2022	$ 80,000	$ 694,427	$ 44,080

For the year ended December 31, 2021

	Short-term Bank loans	Long-term Bank loans	Lease Liabilities
Balance at January 1, 2021	$ 150,000	$ 989,135	$ 41,264
Net financing cash flows	(150,000)	(56,315)	(846)
Interest under operating activities	-	-	672
Non-cash changes			
Lease liabilities	-	-	2,881
Adjustments for government subsidy	-	(752)	-
Effects of foreign currency exchange	-	-	266
Balance at December 31, 2021	$ -	$ 932,068	$ 44,237

24. CAPITAL MANAGEMENT

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

Management of the Group reviews the capital structure of the Group periodically, considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the overall capital structure is balanced by, adjusting the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

1) The estimated fair value of short-term financial instruments is based on the book value on the balance sheet. These financial instruments are very close to the expiration date; therefore, the book value is a reasonable basis for the estimation of fair value. This method is applicable to cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term bank loans, notes payable, trade payables and other payable.

2) Long-term bank loans' estimated fair value is based on the anticipated cash flow discounted at the long-term interest rate that is available to the Group under similar conditions. The Group's long-term bank loans rate is floating and the book value is equal to its fair value.

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

1) Fair value hierarchy

The Corporation's financial 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.

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.

c. Categories of financial instruments

	December 31	
	2022	**2021**
<u>Financial assets</u>		
Financial assets at amortized cost (1)	$ 1,271,897	$ 1,321,352
Financial assets at FVTOCI		
Equity instruments	26,678	-
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	763	-
Financial liabilities at amortized cost (2)	1,590,677	1,848,243

1) The balances included cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost, other receivables and refundable deposits.

2) The balances included short-term bank loans, notes payable, trade payables, other payables and long-term bank loans.

d. Financial risk management objectives and policies

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

Material treasury activities are reviewed by the audit committee and the board of directors in accordance with relevant regulations and internal control policies.

1) Market risk

The financial risks that the Group's operating activities are exposed to is primarily the risks of changes in foreign currency exchange rates and changes in interest rates.

a) Foreign currency risk

The Group conducts foreign currency denominated sales and purchases, which creates exposure to foreign currency risk. Exchange rate risk exposures are managed by utilizing foreign exchange forward contracts, the anticipated cash flow of accounts receivable and trade payables offsets, or adjustment of foreign deposits, within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

The sensitivity analysis used when reporting foreign currency risk internally to the executives mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had appreciated by 1% against the relevant foreign currencies, the post-tax profit for the years ended December 31, 2022 and 2021 would have decreased by $5,563 thousand and by $5,619 thousand respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because the Group borrowed funds with interests at both fixed and floating rates. The Group partially offsets the risk by keeping cash and cash equivalents at floating rate and partially by comparing interest rates from different financial institutions and selecting the best one to manage the interest rate risk.

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

	December 31	
	2022	**2021**
Fair value interest rate risk		
Deposits in bank	$ 15,355	$ 215,672
Lease liabilities	44,080	44,237
Long-term bank loans	124,356	87,765
Cash flow interest rate risk		
Deposits in bank	715,438	498,954
Short-term bank loans	80,000	-
Long-term bank loans	570,071	844,303

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year remained outstanding. A 1% increase or decrease is used when reporting interest rate risk internally to the executives and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2022 and 2021 would have increased (decreased) by $523 thousand and $(2,763) thousand, respectively.

2) Credit risk

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

The counterparties of the Group's trade receivables cover a large number of customers across diverse industries and hence the credit risk is not as highly concentrated.

3) Liquidity risk

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

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2022 and 2021, the Group's available unutilized bank loan facilities of $2,031,420 thousand and $1,955,536 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	5-10 Years
December 31, 2022			
Non-derivative financial liabilities			
Non-interest bearing	$ 419,132	$ -	$ -
Lease liabilities	1,301	31,227	14,312
Fixed interest rate liabilities	14,350	110,006	-
Variable interest rate liabilities	152,731	275,007	222,333
	$ 587,514	$ 416,240	$ 236,645
Derivative financial liabilities			
Foreign currency forward contracts	$ 763	$ -	$ -
December 31, 2021			
Non-derivative financial liabilities			
Non-interest bearing	$ 610,622	$ -	$ -
Lease liabilities	-	25,212	22,558
Fixed interest rate liabilities	694	87,071	-
Variable interest rate liabilities	106,315	414,238	323,750
	$ 717,631	$ 526,521	$ 346,308

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party	Relationship with the Group
Hiwin Technologies Corporation (Hiwin Technologies)	Other related party
Hiwin Corporation, U.S.A. (Hiwin USA)	Other related party
Hiwin Corporation, Japan (Hiwin Japan)	Other related party
Hiwin GmbH (Hiwin Germany)	Other related party
Hiwin Singapore Pte. Ltd. (Hiwin Singapore)	Other related party
Hiwin Technologies (China) Corporation (Hiwin China)	Other related party
Matrix Precision Co., Ltd. (Matrix Precision)	Other related party
Hiwin S.R.L. (Hiwin Italy)	Other related party
Hiwin Corporation (Hiwin Korea)	Other related party
Hiwin (Schweiz) GmbH (Hiwin Schweiz)	Other related party
Eterbright Solar Corporation (Eterbright)	Other related party
Suzhou Matrix Precision Machinery Co., Ltd. (Suzhou Matrix)	Other related party

b. Operating transactions

	For the Year Ended December 31	
	2022	2021
1) Sales of goods		
Hiwin Germany	$ 417,234	$ 338,592
Other related parties	573,277	522,643
	$ 990,511	$ 861,235

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, price and terms were determined in accordance with mutual agreements. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing. Credit terms of the related parties are O/A 90 to 150 days and 90 days after the end of the month.

	For the Year Ended December 31	
	2022	2021
2) Purchases of goods		
Other related parties	$ 103,063	$ 130,279

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable. Payment terms are O/A 90 to 150 days and 60 to 90 day after the end of the month.

3) Other operating transactions

	For the Year Ended December 31	
	2022	2021
Manufacturing and operating expenses		
Other related parties	$ 3,928	$ 1,536
Non-operating income - rental income (classified as other income)		
Hiwin Technologies	$ 17,859	$ 7,947

Rental income represented the lease rates of the Group’s factory in accordance with the lease agreements and were based on rents of similar factories in the vicinity. The rents were paid monthly.

	For the Year Ended December 31	
	2022	2021
Non-operating income - dividend income (classified as other income)		
Hiwin Technologies	$ 617	$ -
Non-operating income - other income (classified as other income)		
Other related parties		
Hiwin Technologies	$ 11,657	$ 2,353
Other	1,824	-
	$ 13,481	$ 2,353

	December 31	
	2022	2021
4) Trade receivables		
Other related parties		
Hiwin Germany	$ 99,331	$ 108,618
Hiwin Technologies	58,879	18,412
Hiwin Japan	51,343	38,975
Others	72,453	54,836
	$ 282,006	$ 220,841
5) Other receivables		
Other related parties		
Hiwin Technologies	$ 2,710	$ 659
Other	27	-
	$ 2,737	$ 659

	December 31	
	2022	2021
6) Prepayments for machinery and equipment		
Other related parties	$ 688	$ -
7) Guarantee deposits received (classified as other non-current liabilities)		
Hiwin Technologies	$ 1,616	$ 594

c. Transaction of property, plant and equipment

1) Acquisition of property, plant and equipment

	Purchase Price For the Year Ended December 31	
	2022	2021
Other related parties	$ 3,827	$ 10,109

2) Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain or Loss Disposal For the Year Ended December 31	
	2022	2021	2022	2021
Other related parties	$ 645	$ -	$ 40	$ -

d. Acquisition of intangible assets

	Purchase Price For the Year Ended December 31	
	2022	2021
Other related parties	$ 625	$ -

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

Related Party Name	December 31, 2022
Matrix Precision	
Amount endorsed	$ 288,000
Amount utilized (classified as bank loans)	$ -

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 64,889	$ 60,432
Post-employment benefits	622	613
	$ 65,511	$ 61,045

The remuneration of directors and key executives was determined in accordance with the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for bank loans:

	December 31	
	2022	2021
Property, plant and equipment	$ 2,142,737	$ 1,406,390

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, commitment for the acquisition of property, plant and equipment amounted to $945,756 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 14,215	30.71	$ 436,530	$ 15,719	27.68	$ 435,090
RMB	20,286	4.41	89,421	29,005	4.34	125,998
EUR	4,395	32.72	143,809	5,148	31.32	161,233
JPY	256,873	0.23	59,697	185,278	0.24	44,559
Financial liabilities						
Monetary items						
USD	495	30.71	15,193	846	27.68	23,413
RMB	2,738	4.41	12,070	7,527	4.34	32,698
EUR	82	32.72	2,671	78	31.32	2,446
JPY	17,716	0.23	4,117	24,756	0.24	5,954

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

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	$ 42,817	1 (NTD:NTD)	$ (19,096)
ILS	8.87 (ILS:NTD)	34,385	8.67 (ILS:NTD)	(9,262)
		$ 77,202		$ (28,358)

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Notes 8 and 9)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 2)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 25)

10) Other: intercompany relationships and significant intercompany transactions. (Table 4)

11) Information on investees. (Table 5)

b. Information on investments in mainland China. (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 6)

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are precision motion and control parts, micro and nano-positioning systems and others.

a. Segment revenue and results

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

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2022	2021	2022	2021
Precision motion and control parts	$ 1,834,333	$ 1,624,465	$ 184,682	$ 173,011
Micro and nano-positioning systems	1,356,289	1,518,988	188,454	218,507
Others	37,758	40,851	5,420	4,324
Total from continuing operations	$ 3,228,380	$ 3,184,304	378,556	395,842
Subsidy revenue			4,701	10,718
Finance costs			(12,588)	(11,524)
Interest income			1,166	181
Other income			38,355	14,390
Net foreign exchange gain (loss)			77,202	(28,358)
Other expenses			(15,063)	(154)
Valuation gain (loss) on financial assets (liabilities) at FVTPL			(1,081)	67
Profit before income tax			$ 471,248	$ 381,162

Segment revenue reported above represents revenue generated from sales made to external customers. There were no intersegment sales for the years ended December 31, 2022 and 2021.

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

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in Taiwan and Israel.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	$ 2,760,911	$ 2,886,860	$ 3,205,354	$ 3,288,111
Israel	467,469	297,444	72,393	84,997
	$ 3,228,380	$ 3,184,304	$ 3,277,747	$ 3,373,108

Non-current assets exclude financial instruments, goodwill and deferred tax assets.

d. Information about major customers

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	$ 990,511	31	$ 861,235	27
Customer B	748,387	23	686,539	22

TABLE 1

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

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 (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix Precision	Other related party	$ 389,933	$ 320,000	$ 320,000	$ -	$ -	8.2%	$ 1,364,766	-	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation’s net assets as shown in its most recent financial statements. For mutual endorsements/guarantees provided by joint builders based on contract, the amount of endorsements/guarantees is not subject to the foregoing limitations; however, it must not exceed the amount of mutual endorsements/guarantees based on contract and 50% of the Corporation's net assets in its most recent financial statements.

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

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

TABLE 2

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Corporation	Fongshan Industrial Park Factory	2022.11.7	$ 574,293	$ -	Fu Tai Construction Co., Ltd.	None	-	-	-	$ -	Vendor bidding	Plant construction	-
The Corporation	Fongshan Industrial Park Factory	2022.12.23	370,440	-	Chyi Ding Technologies Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-

TABLE 3

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 Corporation	Hiwin Germany	Other related party	Sale	$ 417,234	15%	O/A 90 days	$ -	-	$ 99,331	22%	
	Hiwin Technologies	Other related party	Sale	205,367	7%	90 days after the end of the month	-	-	58,879	13%	
	Hiwin USA	Other related party	Sale	122,540	4%	O/A 90 days	-	-	19,770	4%	
	Hiwin Japan	Other related party	Sale	110,229	4%	O/A 105 days	-	-	51,343	11%	

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Mega-Fabs	1	Sales	$ 7,032	O/A 30 days	-
			1	Cost of goods sold	41,850	O/A 30 days	1
			1	Trade payables	4,752	O/A 30 days	-
			1	Manufacturing and operating expenses	5,297	-	-
			1	Other payables	956	-	-

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; (3) Subsidiary to subsidiary.

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

TABLE 5

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income of the Investee	Share of Profit	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Corporation	Mega-Fabs	Israel	Research, manufacture and sale of drives and controllers	$ 63,650	$ 63,650	360,000	60	$ 366,062	$ 168,124	$ 98,308	Subsidiary

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 6

HIWIN MIKROSYSTEM CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Chuo, Shou-Yeu	21,952,367	18.32%
Hiwin Technologies Corporation	9,525,676	7.95%
Hiwin Investment Corporation	6,592,991	5.50%

Note 1: The information on major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder transfers his/hers shareholdings to a trust, the above information will be disclosed by the individual trustor who opened the trust account. Shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings disclosed include shares held by shareholders and those transferred to the trusts over which the shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.