Hiwin Mikrosystem Corporation

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

Deloitte.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter of the Corporation's 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 $993,473 thousand, accounting for 19% 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 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 the sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.

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

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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 financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

HIWIN MIKROSYSTEM CORPORATION

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)	$ 217,887	4	$ 411,272	7
Notes receivable, net (Notes 4 and 10)	7,059	-	10,521	-
Trade receivables from unrelated parties, net (Notes 4 and 10)	162,060	3	301,647	6
Trade receivables from related parties, net (Notes 4, 10 and 25)	282,006	5	220,841	4
Other receivables (Notes 4 and 25)	17,481	-	15,126	-
Inventories (Notes 4, 5 and 11)	993,473	19	932,382	17
Other current assets	30,171	1	32,491	1
Total current assets	1,710,137	32	1,924,280	35
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	26,678	1	-	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	953	-	1,454	-
Investments accounted for using the equity method (Notes 4 and 12)	366,062	7	273,796	5
Property, plant and equipment (Notes 4, 13, 25 and 26)	3,131,133	58	3,202,356	58
Intangible assets (Notes 4, 14 and 25)	25,642	-	26,630	-
Deferred tax assets (Notes 4 and 20)	47,892	1	47,843	1
Prepayments for machinery and equipment (Note 25)	44,553	1	58,241	1
Refundable deposits (Note 4)	4,025	-	884	-
Total non-current assets	3,646,938	68	3,611,204	65
TOTAL	$ 5,357,075	100	$ 5,535,484	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 80,000	2	$ -	-
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	953	-	2,344	-
Trade payables (Note 25)	340,408	6	523,939	9
Other payables (Notes 16 and 25)	223,028	4	223,934	4
Current tax liabilities (Notes 4 and 20)	22,542	-	49,879	1
Current portion of long-term loans (Notes 15 and 26)	87,081	2	107,009	2
Other current liabilities (Note 4)	2,292	-	7,395	-
Total current liabilities	774,342	14	949,944	17
NON-CURRENT LIABILITIES				
Long-term loans (Notes 15 and 26)	607,346	12	825,059	15
Deferred tax liabilities (Notes 4 and 20)	61,094	1	41,394	1
Net defined benefit liabilities - non-current (Notes 4 and 17)	11,716	-	12,902	-
Other non-current liabilities (Note 25)	3,247	-	2,190	-
Total non-current liabilities	683,403	13	881,545	16
Total liabilities	1,457,745	27	1,831,489	33
EQUITY				
Ordinary shares	1,198,018	22	1,198,018	22
Capital surplus	1,578,181	30	1,578,181	28
Retained earnings				
Legal capital reserve	124,021	2	94,378	2
Unappropriated earnings	1,002,977	19	825,154	15
Other equity	(3,867)	-	8,264	-
Total equity	3,899,330	73	3,703,995	67
TOTAL	$ 5,357,075	100	$ 5,535,484	100

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

HIWIN MIKROSYSTEM CORPORATION

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 25)	$ 2,767,944	100	$ 2,889,408	100
COST OF GOODS SOLD (Notes 11, 19 and 25)	1,917,698	69	1,953,073	67
GROSS PROFIT	850,246	31	936,335	33
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	149,909	5	133,628	5
General and administrative expenses	223,491	8	211,237	7
Research and development expenses	242,341	9	284,636	10
Total operating expenses	615,741	22	629,501	22
PROFIT FROM OPERATIONS	234,505	9	306,834	11
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	4,701	-	10,718	-
Finance costs (Notes 4 and 19)	(11,872)	-	(10,852)	-
Share of profit of subsidiaries accounted for using the equity method (Notes 4 and 12)	98,308	4	43,841	2
Interest income (Note 4)	1,159	-	181	-
Other income (Note 25)	38,355	1	14,370	-
Net foreign exchange gain (loss) (Notes 4 and 28)	42,817	1	(19,096)	(1)
Other expenses (Note 19)	(14,865)	(1)	-	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	(1,081)	-	67	-
Total non-operating income and expenses	157,522	5	39,229	1
PROFIT BEFORE INCOME TAX	392,027	14	346,063	12
INCOME TAX EXPENSE (Notes 4 and 20)	65,085	2	48,996	2
NET PROFIT FOR THE YEAR	326,942	12	297,067	10

(Continued)

HIWIN MIKROSYSTEM CORPORATION

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**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	$ 408	-	$ (795)	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	(7,297)	(1)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	(82)	-	159	-
	(6,971)	(1)	(636)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(6,042)	-	1,989	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	1,208	-	(397)	-
	(4,834)	-	1,592	-
Other comprehensive income (loss) for the year, net of income tax	(11,805)	(1)	956	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 315,137	11	$ 298,023	10
EARNINGS PER SHARE (Note 21)				
Basic	$ 2.73		$ 2.48	
Diluted	$ 2.72		$ 2.48	

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

HIWIN MIKROSYSTEM CORPORATION

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

		Capital Surplus		Retained Earnings (Note 18)		Other Equity		
	Ordinary Shares (Note 18)	Issuance of Shares (Note 18)	Employee Share Options (Notes 4 and 18)	Legal Capital Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations Foreign Operations (Note 4)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income Comprehensive Income (Note 4)	Total Equity
BALANCE AT JANUARY 1, 2021	$ 1,186,157	$ 1,576,813	$ 1,368	$ 80,895	$ 589,652	$ 6,672	$ -	$ 3,441,557
Appropriation of 2020 earnings								
Legal capital reserve	-	-	-	13,483	(13,483)	-	-	-
Cash dividends	-	-	-	-	(35,585)	-	-	(35,585)
Share dividends	11,861	-	-	-	(11,861)	-	-	-
	11,861	-	-	13,483	(60,929)	-	-	(35,585)
Net profit for the year ended December 31, 2021	-	-	-	-	297,067	-	-	297,067
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	(636)	1,592	-	956
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	296,431	1,592	-	298,023
BALANCE AT DECEMBER 31, 2021	1,198,018	1,576,813	1,368	94,378	825,154	8,264	-	3,703,995
Appropriation of 2021 earnings								
Legal capital reserve	-	-	-	29,643	(29,643)	-	-	-
Cash dividends	-	-	-	-	(119,802)	-	-	(119,802)
	-	-	-	29,643	(149,445)	-	-	(119,802)
Net profit for the year ended December 31, 2022	-	-	-	-	326,942	-	-	326,942
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	326	(4,834)	(7,297)	(11,805)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	327,268	(4,834)	(7,297)	315,137
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

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

HIWIN MIKROSYSTEM CORPORATION

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	$ 392,027	$ 346,063
Adjustments for:		
Depreciation expenses	155,004	161,717
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	11,872	10,852
Interest income	(1,159)	(181)
Dividend income	(617)	-
Share of profit of subsidiaries	(98,308)	(43,841)
Loss (gain) on disposal of property, plant and equipment	582	(64)
Write-down of inventories	22,978	53,698
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	85,031	(119,704)
Other receivables	(2,355)	(8,039)
Inventories	(97,949)	(154,069)
Other current assets	2,320	23,265
Contract liabilities	(18,169)	(9,168)
Notes payable	(1,391)	(1,486)
Trade payables	(183,305)	215,808
Other payables	552	56,541
Other current liabilities	(5,103)	4,076
Net defined benefit liabilities	(778)	(372)
Cash generated from operations	269,604	543,405
Interest received	1,159	181
Dividends received	617	-
Interest paid	(11,216)	(10,602)
Income taxes paid	(71,645)	(21,107)
Net cash generated from operating activities	188,519	511,877
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	(48,579)	(50,261)
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	(105,420)	(87,993)

(Continued)

HIWIN MIKROSYSTEM CORPORATION

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)
Increase in guarantee deposits received	1,022	235
Dividends paid	(119,802)	(35,585)
Net cash used in financing activities	(276,484)	(241,665)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(193,385)	182,219
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	411,272	229,053
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 217,887	$ 411,272

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

HIWIN MIKROSYSTEM CORPORATION

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

2. APPROVAL OF FINANCIAL STATEMENTS

The 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.

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

Note 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 financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation'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 financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

In preparing Corporation's the financial statements, transactions in currencies other than the Corporation'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 financial statements, the financial statements of the Corporation's foreign operations (including subsidiaries in other countries or those that are prepared using functional currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

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. 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.

i. Impairment of property, plant, and equipment and intangible assets

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

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

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

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation 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 24.

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

The Corporation always recognizes lifetime expected credit loss (ECL) for trade receivables. For all other financial instruments, the Corporation 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 Corporation 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 Corporation considers that the following situations as indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 24.

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 Corporation 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.

k. 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 contract are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditure required to settle the Corporation's obligation.

l. Revenue recognition

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

m. Leases

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

1) The Corporation 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 Corporation as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the 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 Corporation 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 balance sheets.

n. 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.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation 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 Corporation 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 Corporation 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.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Corporation’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.

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, 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 Corporation 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 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 Corporation 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 Corporation’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 Corporation 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 rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and 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	201,064	194,698
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	15,355	215,672
	$ 217,887	$ 411,272
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 are as follows:

	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 Corporation	
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 Corporation's strategy of holding the investment for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	December 31	
	2022	2021
Non-current		
Government bonds	$ 953	$ 959
Domestic investments (a)		
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 from unrelated parties		
At amortized cost		
Gross carrying amount	$ 7,059	$ 10,627
Less: Allowance for impairment loss	-	(106)
	$ 7,059	$ 10,521
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 444,066	$ 522,495
Less: Allowance for impairment loss	-	(7)
	$ 444,066	$ 522,488

a. Notes receivable

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

In order to minimize credit risk, the Corporation 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 Corporation 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 Corporation's credit risk was significantly reduced.

The Corporation 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 Corporation'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 Corporation's different customer base.

The Corporation 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 Corporation 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	$ 433,399	$ 10,604	$ 63	$ -	$ 444,066
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 433,399	$ 10,604	$ 63	$ -	$ 444,066
December 31, 2021					
Gross carrying amount	$ 518,724	$ 3,730	$ 41	$ -	$ 522,495
Loss allowance (Lifetime ECL)	(3)	(4)	-	-	(7)
Amortized cost	$ 518,721	$ 3,726	$ 41	$ -	$ 522,488

The movements of 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	91,308	85,334
Work in process	229,213	306,188
Raw materials and supplies	672,549	540,466
	$ 993,473	$ 932,382

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was $1,917,698 thousand and $1,953,073 thousand, respectively.

The cost of inventories recognized as cost of goods sold included inventory write-downs of $22,978 thousand and $53,698 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Subsidiaries included in the consolidated financial statements:

	Proportion of Ownership and Voting Rights	
	2022	2021
Name of subsidiary		
Mega-Fabs Motion Systems Ltd. (“Mega-Fabs”)	60%	60%

The investment cost in excess of the fair value of net equity value of the investee was the amount of goodwill, which was $49,218 thousand on December 31, 2022 and 2021.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Corporation	$ 2,739,914	$ 3,090,648
Assets leased under operating leases	391,219	111,708
	$ 3,131,133	$ 3,202,356

a. Assets used by the Corporation

	For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	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
Miscellaneous equipment	130,402	6,590	(3,552)	8,470	-	141,910
Construction in progress	685	4,073	-	(1,681)	-	3,077
	4,198,986	$ 46,725	$ (38,248)	$ 38,110	$ (307,207)	3,938,366
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
Miscellaneous equipment	96,893	12,505	(2,948)	-	-	106,450
	1,108,338	$ 141,107	$ (37,021)	$ -	$ (13,972)	1,198,452
	$ 3,090,648					$ 2,739,914

	For the Year Ended December 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	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
Miscellaneous equipment	109,795	10,759	(988)	10,836	-	130,402
Construction in progress	410,439	1,304	-	(411,058)	-	685
	4,258,577	$ 42,165	$ (4,877)	$ 17,869	$ (114,748)	4,198,986
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
Miscellaneous equipment	86,491	11,390	(988)	-	-	96,893
	954,487	$ 158,677	$ (4,826)	$ -	$ -	1,108,338
	$ 3,304,090					$ 3,090,648

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
Miscellaneous equipment	3-8 years

Property, plant and equipment pledged as collateral for bank loans are set out in Note 26.

b. Assets subject to operating leases

	For the Year Ended December 31, 2022			
	Beginning Balance	Transferred from Assets Used by the Corporation	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 Corporation	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. 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:

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

15. 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 26)		
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.

16. OTHER PAYABLES

	December 31 2022	December 31 2021
Payables for salaries and bonuses	$ 126,935	$ 131,827
Payables for annual leave	22,652	20,916
Payables for purchases of building and equipment	4,073	5,754
Others	69,368	65,437
	$ 223,028	$ 223,934

17. 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.

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

	December 31 2022	December 31 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

18. 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 dividend 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 19-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 For the Year Ended December 31		**Dividends Per Share (NT$) 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 of the shareholders in their meeting to be held on May 30, 2023.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 11,872	$ 10,852

Information about capitalized interest is as follows:

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

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Other Operating income and expenses	Total
For the Year Ended December 31, 2022				
Short-term employee benefits				
Salary	$ 237,406	$ 368,325	$ -	$ 605,731
Labor and health insurance	23,223	26,040	-	49,263
Remuneration to directors	-	18,083	-	18,083
Post-employment benefits				
Defined contribution plans	9,249	12,702	-	21,951
Defined benefit plans (Note 17)	335	207	-	542
Other employee benefits	9,796	8,651	-	18,447
Depreciation expenses	104,218	36,889	13,897	155,004
Amortization expenses	591	10,225	-	10,816

	Operating Costs	Operating Expenses	Other Operating income and expenses	Total
For the Year Ended December 31, 2021				
Short-term employee benefits				
Salary	$ 217,932	$ 361,139	$ -	$ 579,071
Labor and health insurance	20,478	25,481	-	45,959
Remuneration to directors	-	15,537	-	15,537
Post-employment benefits				
Defined contribution plans	7,936	12,677	-	20,613
Defined benefit plans (Note 17)	324	476	-	800
Other employee benefits	8,100	7,991	-	16,091
Depreciation expenses	108,526	53,191	-	161,717
Amortization expenses	321	9,962	-	10,283

As of 2022 and 2021, the Corporation had an average of 636 and 630 employees respectively. There were 6 directors who did not serve concurrently as employees for both years.

As of 2022 and 2021, the average employee benefits expense was $1,105 thousand and $1,062 thousand respectively; as of 2022 and 2021, the average employee salary was $961 thousand and $928 thousand respectively, representing a rise of 4%.

The Corporation did not appoint any supervisors in 2021 and 2022; therefore, there is no remuneration for supervisors.

The annual renumeration provided by the Corporation to employees is better than the industry average, and the salary of the new employees is higher than the minimum salary of the same area. Adhering to the principle of “Equal Work Equal Pay”, all staff are subject to performance assessments except for those under leave without pay. Through the performance review for the new-hires, quarterly appraisals, year-end evaluations, and project reviews, the Corporation encourages and rewards employees with outstanding contributions. Performance-based variable bonus for each individual is a key feature of the reward scheme. For example, those who involved in developing new technology that has brought profits for the Corporation will regularly receive bonuses, sharing the benefits enjoyed.

Executives of the Corporation are regarded as regular employees, being remunerated by salaries, as well as various cash rewards, bonus, and benefits based on the operation and profit status, taking into account the Corporation's operating results, the scope of responsibility, and the results of the annual performance evaluation. Policies for remuneration of managers is based on the Corporation’s “Salary Scale”, the “Remuneration Policy” and the scope of responsibilities for the position held in the Corporation, and the contribution to the Corporation’s operating performance, for the calculation of bonuses, year-end bonuses and other rewards.

The Corporation sets the remuneration procedures for directors based on “Policy on Director’s Performance Evaluation and Remuneration”, “Rules for Performance Evaluation of Board of Directors”. In addition to the Corporation’s overall operating performance, future risks and development trends of the industry, remuneration of the directors also based on the results from the performance evaluation and his/her contribution to the Corporation. The Proposal of remuneration is assessed by the Remuneration Committee and recommended to the board for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Corporation’s sustainable operation and risk control measures.

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:

	For the Year Ended December 31			
	2022		2021	
Cash	**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 financial statements authorized for issue, the differences are to be recorded as an adjustment to the prior-year 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 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.

20. 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	$ 38,094	$ 47,426
Income tax of unappropriated earnings	4,241	2,454
Adjustments for prior years	1,973	(37)
	44,308	49,843
Deferred tax		
In respect of the current year	20,777	(847)
Income tax expense recognized in profit or loss	$ 65,085	$ 48,996

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	$ 78,405	$ 69,213
Non-deductible expenses in determining taxable income	274	110
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	$ 65,085	$ 48,996

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
Defined benefit obligations	2,580	(155)	(82)	2,343
Provisions	1,099	(994)	-	105
Unrealized loss on foreign currency exchange	700	(700)	-	-
Financial liabilities at FVTPL	-	153	-	153
	$ 47,843	$ 131	$ (82)	$ 47,892
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
Defined benefit obligations	2,496	(75)	159	2,580
Provisions	367	732	-	1,099
Unrealized loss on foreign currency exchange	-	700	-	700
Financial liabilities at FVTPL	7	(7)	-	-
	$ 38,647	$ 9,037	$ 159	$ 47,843
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 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.

21. EARNINGS PER SHARE

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

	Net Profit	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2021			
Basic earnings per share			
Profit for the year	$ 297,067	119,802	$ 2.48
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	183	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	$ 297,067	119,985	$ 2.48

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

22. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Corporation entered into the following non-cash investing and financing activities which were not reflected in the 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 which were as follows:

	2022	2021
Increase in property, plant and equipment	$ 46,898	$ 42,165
Decrease in payables for purchases of building and equipment	1,681	8,096
	$ 48,579	$ 50,261

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

	Short-term Bank loans	Long-term Bank loans
Balance at January 1, 2022	$ -	$ 932,068
Net financing cash flows	80,000	(237,704)
Non-cash changes		
Adjustments for government subsidy	-	63
Balance at December 31, 2022	$ 80,000	$ 694,427

For the year ended December 31, 2021

	Short-term Bank loans	Long-term Bank loans
Balance at January 1, 2021	$ 150,000	$ 989,135
Net financing cash flows	(150,000)	(56,315)
Non-cash changes		
Adjustments for government subsidy	-	(752)
Balance at December 31, 2021	$ -	$ 932,068

23. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Corporation has to maintain an appropriate amount of capital. Therefore, the Corporation 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.

The Corporation's management reviews the capital structure of the Corporation 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.

24. FINANCIAL INSTRUMENTS

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

1) Short-term financial instruments' estimated fair value 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 Corporation under similar conditions. The Corporation'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
Financial assets		
Financial assets at amortized cost (1)	$ 691,471	$ 961,745
Financial assets at FVTOCI		
Equity instruments	26,678	-
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	763	-
Financial liabilities at amortized cost (2)	1,338,816	1,682,285

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 Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables and bank loans. The Corporation's corporate treasury function manages the financial risks relating to the operations of the Corporation. 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 Corporation'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 Corporation 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 Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation 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 $3,085 thousand and by $3,598 thousand respectively.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrowed funds with interests at both fixed and floating rates. The Corporation 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 Corporation'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
Long-term bank loans	124,356	87,765

	December 31	
	2022	**2021**
Cash flow interest rate risk		
Deposits in bank	$ 186,276	$ 180,402
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 Corporation'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 Corporation's post-tax profit for the years ended December 31, 2022 and 2021 would have decreased by $3,710 thousand and $5,311 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 Corporation. As of the end of the reporting period, the counterparties of the Corporation are all creditworthy, no significant credit risk is expected.

The counterparties of the Corporation'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 Corporation manages liquidity risk by monitoring and maintaining a sufficient level of cash and cash equivalents adequate to finance the Corporation'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 Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2022 and 2021, the Corporation's available unutilized bank loan facilities of $2,031,420 thousand and $1,955,536 thousand, respectively.

The following table details the Corporation'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	$ 382,032	$ -	$ -
Fixed interest rate liabilities	14,350	110,006	-
Floating interest rate liabilities	152,731	275,007	222,333
	$ 549,113	$ 385,013	$ 222,333
Derivative financial liabilities			
Foreign currency forward contracts	$ 763	$ -	$ -
December 31, 2021			
Non-derivative financial liabilities			
Non-interest bearing	$ 568,143	$ -	$ -
Fixed interest rate liabilities	694	87,071	-
Floating interest rate liabilities	106,315	414,238	323,750
	$ 675,152	$ 501,309	$ 323,750

25. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Corporation and other related parties are disclosed as follows:

a. Related party name and categories

Related Party	Relationship with the Group
Mega-Fabs	Subsidiary
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		
Other related parties		
Hiwin Germany	$ 417,234	$ 338,592
Others	573,277	522,643
Subsidiary	7,032	2,548
	$ 997,543	$ 863,783

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 for the related parties are as follows:

Related Party Category	Terms
Other related party	O/A 90-150 days and 90 days after the end of the month
Subsidiary	O/A 30 days

	For the Year Ended December 31	
	2022	2021

2) Purchases of goods

	2022	2021
Other related parties	$ 103,063	$ 130,279
Subsidiary	41,850	36,252
	$ 144,913	$ 166,531

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable. Payment terms are as follows:

Related Party Category	Terms
Other related party	O/A 90-150 days and 60-90 days after the end of the month
Subsidiary	O/A 30 days

3) Other operating transactions

	For the Year Ended December 31	
	2022	2021
Manufacturing and operating expenses		
Subsidiary	$ 5,297	$ 4,948
Other related parties	3,928	1,536
	$ 9,225	$ 6,484

	For the Year Ended December 31	
	2022	2021
Non-operating income - rental income (classified as other income)		
Hiwin Technologies	$ 17,859	$ 7,947

Rental income represented the lease rates of the Corporation’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
Others	27	-
	$ 2,737	$ 659
6) Prepayments for machinery and equipment		
Other related parties	$ 688	$ -

	December 31	
	2022	2021
7) Trade payables		
Subsidiary	$ 4,752	$ -
8) Other payables		
Subsidiary	$ 956	$ 540
9) 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		Gain or Loss Disposal	
	For the Year Ended December 31		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.

26. 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

27. 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.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of the Corporation and the related exchange rates between the foreign currencies and the functional currency 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	$ 4,181	30.71	$ 128,388	$ 6,669	27.68	$ 184,589
RMB	20,286	4.41	89,421	29,005	4.34	125,998
EUR	4,347	32.72	142,229	5,082	31.32	159,172
JPY	256,873	0.23	59,697	185,278	0.24	44,559
Non-monetary items						
ILS	36,813	8.73	321,268	25,441	8.90	226,435
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 significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Gain**	**Exchange Rate**	**Net Foreign Exchange Gain (Loss)**
USD	29.81	$ 23,984	28.01	$ (5,173)
EUR	31.36	12,815	33.16	(13,548)
RMB	4.42	4,524	4.34	1,248
JPY	0.23	1,444	0.26	(1,351)
GBP	36.80	50	38.56	(272)
		$ 42,817		$ (19,096)

29. 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 of 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 24)

10) Information on investees. (Table 4)

b. Information on investment 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 5)

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	-

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%	

TABLE 4

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 drivers and controllers	$ 63,650	$ 63,650	360,000	60	$ 366,062	$ 168,124	$ 98,308	Subsidiary

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 Corporation 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 Securities 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.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES	2
STATEMENT OF INVENTORIES	3
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT	4
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	5
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Note 14
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 20
STATEMENT OF SHORT-TERM BANK LOANS	6
STATEMENT OF TRADE PAYABLES	7
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF LONG-TERM BANK LOANS	8
STATEMENT OF DEFERRED INCOME TAX LIABILITIES	Note 20
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET REVENUE	9
STATEMENT OF OPERATING COSTS	10
STATEMENT OF OPERATING EXPENSES	11
STATEMENT OF NON-OPERATING INCOME AND EXPENSES	STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION	Note 19

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			$ 735
Foreign currencies			733
			1,468
Cash in banks			
Checking accounts			14,788
Demand deposits			128,699
Foreign deposits			
USD	805	30.71	24,734
RMB	3,348	4.41	14,757
EUR	292	32.72	9,561
JPY	35,828	0.23	8,326
GBP	5	37.09	199
			201,064
Cash equivalents			
Time deposits			
USD	500	30.71	15,355
			$ 217,887

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Company B0462	$ 30,579
Company B0641	16,061
Company B0428	12,213
Company B0746	12,084
Company B0383	10,676
Others (Note)	80,447
	162,060
Less: Allowance for impairment loss	-
	$ 162,060

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

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount	Market Price (Note 1)
Merchandise	$ 403	$ 877
Finished goods	91,308	163,477
Work in process	229,213	475,891
Raw materials and supplies	672,549	1,033,557
	$ 993,473	$ 1,673,802

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

Note 2: Inventories have not been assigned as collateral.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2022		Additions		Decrease		Balance, December 31, 2022		
Investee	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	Collateral
Hiwin Technologies	-	$ -	146,180	$ 26,678	-	$ -	146,180	$ 26,678	None

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investee	Balance, January 1, 2022		Share of Profit of Subsidiaries Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Balance, December 31, 2022		Net Equity Value	Original Investment Cost December 31, 2022	Collateral
	Ownership (%)	Amount			Ownership (%)	Amount			
Investments in subsidiaries									
Mega-Fabs	60	$ 273,796	$ 98,308	$ (6,042)	60	$ 366,062	$ 321,268	$ 63,650	Nil

STATEMENT 6

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF SHORT-TERM BANK LOANS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Credit loans			
The Export-Import Bank of the Republic of China, Taichung Branch	2023.8.30	1.65	$ 80,000

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

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Others (Note)	$ 340,408

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

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF LONG-TERM BANK LOANS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Type	Loan Period	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2012.12.10-2027.12.10	Repayable monthly from January 10, 2016 in 144 installments	1.93	$ 12,250	$ 49,000	$ 61,250
Bank of Taiwan, Taichung Industrial Park Branch	2016.12.14-2031.12.14	Repayable monthly from December 14, 2019 in 144 installments	1.83	32,250	258,000	290,250
Bank of Taiwan, Taichung Industrial Park Branch	2016.12.19-2031.12.19	Repayable monthly from December 19, 2019 in 144 installments	1.83	23,333	186,667	210,000
Bank of Taiwan, Taichung Industrial Park Branch	2019.9.18-2024.9.18	Repayable monthly from October 18, 2019 in 60 installments	1.73	4,898	3,673	8,571
				72,731	497,340	570,071
Unsecured loan						
Chang Hwa Commercial Bank, Hsitun Branch	2020.8.24-2027.8.15	Repayable monthly from September 15, 2023 in 48 installments	1.10	833	9,061	9,894
Taiwan Cooperative Bank, Jhongsing Branch	2020.10.16-2027.10.15	Repayable monthly from November 15, 2023 in 48 installments	1.13	417	9,469	9,886
Bank of Taiwan, Taichung Industrial Park Branch	2020.10.16-2027.10.15	Repayable monthly from November 15, 2023 in 48 installments	1.13	3,333	75,582	78,915
Taipei Fubon Commercial Bank, Zhonggang Branch	2020.8.3-2025.8.3	Repayable monthly from August 15, 2022 in 36 installments	1.19	8,334	13,057	21,391
The Export-Import Bank of the Republic of China, Taichung Branch	2020.5.15-2025.4.15	Repayable monthly from May 15, 2023 in 24 installments	1.02	1,433	2,837	4,270
				14,350	110,006	124,356
				$ 87,081	$ 607,346	$ 694,427

Note: Property, plant and equipment of the Corporation have been pledged as collateral in the amount of $2,142,737 thousand for bank loans.

STATEMENT 9

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Shipments (In thousands of units)	Amount
Precision motion and control parts	295,299 PCS	$ 1,374,132
Micro and nano-positioning systems	4,112 PCS	1,359,823
Others		43,382
		2,777,337
Less: Sales return		(8,100)
Sales discount		(1,293)
Sales		$ 2,767,944

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials and supplies, beginning of year	$ 678,222	
Raw materials and supplies purchased	1,281,623	
Sale of raw materials and supplies	(26,918)	
Raw materials and supplies, end of year	(807,604)	
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment	(81,446)	
Other adjustment	37,566	
Raw materials and supplies used		$ 1,081,443
Direct labor		178,349
Manufacturing expenses		510,198
Manufacturing cost		1,769,990
Work in process, beginning of year		364,661
Work in process purchased		96,321
Sale of work in process		(438,344)
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment		(20,029)
Work in process, end of year		(301,881)
Cost of finished goods		1,470,718
Finished goods, beginning of year		106,257
Finished goods, end of year		(109,891)
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment		(48,929)
Cost of goods sold		1,418,155
Merchandise, beginning of year	564	
Merchandise purchased	1,191	
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment	(454)	
Other adjustment	(658)	
Merchandise, end of year	(552)	
Cost of merchandise sold		91
Cost of raw materials and supplies sold		26,918
Cost of work in process sold		438,344
Inventory write-downs		22,978
Maintenance and warranty expense		13,728
Revenue from sale of scraps		(2,516)
Operating costs		$ 1,917,698

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and related expense	$ 85,660	$ 161,462	$ 186,886	$ 434,008
Depreciation expense	5,850	14,451	16,588	36,889
Material for research and development	-	-	19,941	19,941
Others	58,399	47,578	18,926	124,903
Total	$ 149,909	$ 223,491	$ 242,341	$ 615,741