

**Hiwin Mikrosystem Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the Taiwan Stock Exchange (TWSE) “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are identical to the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prescribed in International Financial Reporting Standard (IFRS) 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, no separate set of consolidated financial statements of affiliates was prepared.

Very truly yours,

HIWIN MIKROSYSTEM CORPORATION

By:

Chuo, Shou-Yeu
Chairperson

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Mikrosystem Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hiwin Mikrosystem Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Valuation and Impairment Assessment of Inventory

As of December 31, 2023, the carrying amount of inventory was \$1,056,306 thousand, accounting for 17% 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 material accounting estimation on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the consolidated financial statements.

Our key audit procedures performed with respect to the valuation and impairment assessment included the following:

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

Other Matter

We have also audited the parent corporation only financial statements of Hiwin Mikrosystem Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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 Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 405,473	6	\$ 747,049	13
Financial assets at amortized cost - current (Notes 4 and 9)	240,702	4	-	-
Notes receivable, net (Notes 4, 10 and 26)	3,150	-	7,059	-
Trade receivables from unrelated parties, net (Notes 4, 10)	313,186	5	213,324	4
Trade receivables from related parties, net (Notes 4, 10 and 26)	127,186	2	282,006	5
Other receivables (Notes 4 and 26)	43,208	1	17,481	-
Inventories (Notes 4, 5 and 11)	1,056,306	17	1,149,422	20
Other current assets (Note 26)	50,302	1	31,528	-
Total current assets	<u>2,239,513</u>	<u>36</u>	<u>2,447,869</u>	<u>42</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	34,352	1	26,678	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	154,474	3	953	-
Property, plant and equipment (Notes 4, 13, 26 and 27)	3,510,907	57	3,153,905	54
Right-of-use assets (Notes 4 and 14)	47,364	1	49,622	1
Intangible assets (Notes 4, 15 and 26)	18,899	-	25,642	-
Goodwill (Note 4)	49,218	1	49,218	1
Deferred tax assets (Notes 4 and 21)	83,509	1	61,780	1
Prepayments for machinery and equipment (Note 26)	16,584	-	44,553	1
Refundable deposits (Note 4)	3,681	-	4,025	-
Total non-current assets	<u>3,918,988</u>	<u>64</u>	<u>3,416,376</u>	<u>58</u>
TOTAL	<u>\$ 6,158,501</u>	<u>100</u>	<u>\$ 5,864,245</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	\$ 100,000	2	\$ 80,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	763	-
Contract liabilities (Note 4)	23,913	-	17,275	-
Notes payable	1,117	-	1,305	-
Trade payables (Note 26)	297,489	5	366,982	6
Other payables (Notes 17 and 26)	607,095	10	447,963	8
Current tax liabilities (Notes 4 and 21)	10,498	-	22,542	1
Lease liabilities - current (Notes 4 and 14)	-	-	1,184	-
Current portion of long-term loans (Notes 16 and 27)	143,184	3	87,081	2
Other current liabilities (Note 4)	18,272	-	2,292	-
Total current liabilities	<u>1,201,568</u>	<u>20</u>	<u>1,027,387</u>	<u>18</u>
NON-CURRENT LIABILITIES				
Long-term loans (Notes 16 and 27)	818,461	13	607,346	10
Deferred tax liabilities (Notes 4 and 21)	69,244	1	61,094	1
Lease liabilities - non-current (Notes 4 and 14)	30,932	1	42,896	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	9,886	-	11,716	-
Other non-current liabilities (Note 26)	3,696	-	3,247	-
Total non-current liabilities	<u>932,219</u>	<u>15</u>	<u>726,299</u>	<u>12</u>
Total liabilities	<u>2,133,787</u>	<u>35</u>	<u>1,753,686</u>	<u>30</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	1,198,018	19	1,198,018	20
Capital surplus	1,578,181	26	1,578,181	27
Retained earnings				
Legal capital reserve	156,748	2	124,021	2
Special capital reserve	3,867	-	-	-
Unappropriated earnings	852,695	14	1,002,977	17
Other equity	(3,834)	-	(3,867)	-
Total equity attributable to owners of the Corporation	<u>3,785,675</u>	<u>61</u>	<u>3,899,330</u>	<u>66</u>
NON-CONTROLLING INTERESTS	<u>239,039</u>	<u>4</u>	<u>211,229</u>	<u>4</u>
Total equity	<u>4,024,714</u>	<u>65</u>	<u>4,110,559</u>	<u>70</u>
TOTAL	<u>\$ 6,158,501</u>	<u>100</u>	<u>\$ 5,864,245</u>	<u>100</u>

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 2,170,200	100	\$ 3,228,380	100
COST OF GOODS SOLD (Notes 11, 20 and 26)	<u>1,501,768</u>	<u>69</u>	<u>2,111,993</u>	<u>65</u>
GROSS PROFIT	<u>668,432</u>	<u>31</u>	<u>1,116,387</u>	<u>35</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	136,630	6	149,909	5
General and administrative expenses	225,422	11	276,500	8
Research and development expenses	<u>280,298</u>	<u>13</u>	<u>311,422</u>	<u>10</u>
Total operating expenses	<u>642,350</u>	<u>30</u>	<u>737,831</u>	<u>23</u>
INCOME FROM OPERATIONS	<u>26,082</u>	<u>1</u>	<u>378,556</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	1,311	-	4,701	-
Finance costs (Notes 4 and 20)	(13,072)	(1)	(12,588)	-
Interest income (Note 4)	4,107	-	1,166	-
Other income (Note 26)	31,972	2	38,355	1
Net foreign exchange gain (Notes 4 and 29)	10,600	1	77,202	2
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	699	-	(1,081)	-
Other expenses (Notes 20 and 26)	<u>(18,405)</u>	<u>(1)</u>	<u>(15,063)</u>	<u>-</u>
Total non-operating income and expenses	<u>17,212</u>	<u>1</u>	<u>92,692</u>	<u>3</u>
INCOME BEFORE INCOME TAX	43,294	2	471,248	15
INCOME TAX EXPENSE (Notes 4 and 21)	<u>4,015</u>	<u>-</u>	<u>78,767</u>	<u>3</u>
NET INCOME FOR THE YEAR	<u>39,279</u>	<u>2</u>	<u>392,481</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	1,266	-	408	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	7,674	1	(7,297)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>(253)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
	<u>8,687</u>	<u>1</u>	<u>(6,971)</u>	<u>-</u>

(Continued)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (15,919)	(1)	\$ (10,070)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>1,910</u>	<u>-</u>	<u>1,208</u>	<u>-</u>
	<u>(14,009)</u>	<u>(1)</u>	<u>(8,862)</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>(5,322)</u>	<u>-</u>	<u>(15,833)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 33,957</u>	<u>2</u>	<u>\$ 376,648</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,101	-	\$ 326,942	10
Non-controlling interests	<u>34,178</u>	<u>2</u>	<u>65,539</u>	<u>2</u>
	<u>\$ 39,279</u>	<u>2</u>	<u>\$ 392,481</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 6,147	1	\$ 315,137	10
Non-controlling interests	<u>27,810</u>	<u>1</u>	<u>61,511</u>	<u>2</u>
	<u>\$ 33,957</u>	<u>2</u>	<u>\$ 376,648</u>	<u>12</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.04</u>		<u>\$ 2.73</u>	
Diluted	<u>\$ 0.04</u>		<u>\$ 2.72</u>	

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

(Concluded)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Note 19)						Other Equity		Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus		Legal Capital Reserve	Retained Earnings		Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
		Issuance of Shares	Employee Share Options		Special Capital Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2022	\$ 1,198,018	\$ 1,576,813	\$ 1,368	\$ 94,378	\$ -	\$ 825,154	\$ 8,264	\$ -	\$ 3,703,995	\$ 149,718	\$ 3,853,713
Appropriation of 2021 earnings											
Legal capital reserve	-	-	-	29,643	-	(29,643)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)	-	(119,802)
	-	-	-	29,643	-	(149,445)	-	-	(119,802)	-	(119,802)
Net profit for the year ended December 31, 2022	-	-	-	-	-	326,942	-	-	326,942	65,539	392,481
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	326	(4,834)	(7,297)	(11,805)	(4,028)	(15,833)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	327,268	(4,834)	(7,297)	315,137	61,511	376,648
BALANCE, DECEMBER 31, 2022	1,198,018	1,576,813	1,368	124,021	-	1,002,977	3,430	(7,297)	3,899,330	211,229	4,110,559
Appropriation of 2022 earnings											
Legal capital reserve	-	-	-	32,727	-	(32,727)	-	-	-	-	-
Special capital reserve	-	-	-	-	3,867	(3,867)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)	-	(119,802)
	-	-	-	32,727	3,867	(156,396)	-	-	(119,802)	-	(119,802)
Net profit for the year ended December 31, 2023	-	-	-	-	-	5,101	-	-	5,101	34,178	39,279
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	1,013	(7,641)	7,674	1,046	(6,368)	(5,322)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	6,114	(7,641)	7,674	6,147	27,810	33,957
BALANCE, DECEMBER 31, 2023	\$ 1,198,018	\$ 1,576,813	\$ 1,368	\$ 156,748	\$ 3,867	\$ 852,695	\$ (4,211)	\$ 377	\$ 3,785,675	\$ 239,039	\$ 4,024,714

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 43,294	\$ 471,248
Adjustments for:		
Depreciation expenses	171,899	167,148
Amortization expenses	9,584	10,816
Expected credit loss recognized (reversed) on trade receivables	-	(113)
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	-	763
Finance costs	13,072	12,588
Interest income	(4,107)	(1,166)
Dividend income	(804)	(617)
Loss on disposal of property, plant and equipment	110	582
Write-down of inventories	26,668	23,488
Unrealized foreign currency exchange loss (gain), net	7,492	(6,740)
Others	(612)	78
Changes in operating assets and liabilities		
Financial liabilities mandatorily classified as at fair value through profit or loss	(763)	-
Notes receivable	3,909	3,568
Trade receivables	44,897	73,744
Other receivables	(25,727)	(2,355)
Inventories	53,612	(126,821)
Other current assets	(18,814)	2,894
Contract liabilities	6,638	(18,169)
Notes payable	(177)	(3,446)
Trade payables	(67,614)	(194,509)
Other payables	(21,718)	104,509
Other current liabilities	15,980	(5,103)
Net defined benefit liabilities	(564)	(778)
Cash generated from operations	256,255	511,609
Interest received	4,107	1,166
Dividends received	804	617
Interest paid	(11,557)	(11,216)
Income taxes paid	(28,394)	(92,261)
Net cash generated from operating activities	<u>221,215</u>	<u>409,915</u>
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	(393,739)	-
Payments for property, plant and equipment	(298,736)	(49,596)
Proceeds from disposal of property, plant and equipment	985	645
Decrease (increase) in refundable deposits	344	(3,141)

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HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Payments for intangible assets	\$ (2,841)	\$ (9,828)
Increase in prepayments for machinery and equipment	<u>(1,284)</u>	<u>(10,542)</u>
Net cash used in investing activities	<u>(695,271)</u>	<u>(106,437)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term loans	20,000	80,000
Proceeds from long-term loans	365,440	45,000
Repayments of long-term loans	(97,981)	(282,704)
Proceeds from guarantee deposits received	-	1,022
Repayment of the principal portion of lease liabilities	(18,973)	-
Dividends paid	<u>(119,802)</u>	<u>(119,802)</u>
Net cash generated from (used in) financing activities	<u>148,684</u>	<u>(276,484)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(16,204)</u>	<u>(9,769)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(341,576)	17,225
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>747,049</u>	<u>729,824</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 405,473</u>	<u>\$ 747,049</u>

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

(Concluded)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on February 27, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

- d. Basis of consolidation

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

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

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

See Note 12 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

- e. Foreign currencies

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Group's foreign operations (including the subsidiaries in other countries that are prepared using functional currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Corporation and non-controlling interests as appropriate.

f. Inventories

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

g. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

h. Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then prorated to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss

is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

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

i. Intangible assets

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Provision

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

Provisions for the expected cost of warranty obligations with sale contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligation.

m. Revenue recognition

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

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

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

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

n. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Borrowing costs

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

p. Government grants

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When the Group develops material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 1,112	\$ 1,468
Checking accounts and demand deposits	404,361	730,226
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>-</u>	<u>15,355</u>
	<u>\$ 405,473</u>	<u>\$ 747,049</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.001-4.80	0.001-4.00
Time deposits (investments with original maturities of 3 months or less)	-	4.33-4.35

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Technologies Corporation (Hiwin Technologies)	<u>\$ 34,352</u>	<u>\$ 26,678</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ <u>240,702</u>	\$ <u>-</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 153,526	\$ -
Government bonds (b)	<u>948</u>	<u>953</u>
	<u>\$ 154,474</u>	<u>\$ 953</u>

- a. The interest rate for time deposits with original maturities of longer than 3 months was 4.40% - 6.40% per annum as of December 31, 2023.
- b. 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 as of December 31, 2022.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 3,150	\$ 7,059
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 3,150</u>	<u>\$ 7,059</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 440,372	\$ 495,330
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 440,372</u>	<u>\$ 495,330</u>

- a. Notes receivable

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

	<u>December 31</u>	
	2023	2022
Not past due	\$ 3,150	\$ 7,059
Past due	<u>-</u>	<u>-</u>
	<u>\$ 3,150</u>	<u>\$ 7,059</u>

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2023</u>					
Gross carrying amount	\$ 417,995	\$ 22,377	\$ -	\$ -	\$ 440,372
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 417,995</u>	<u>\$ 22,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440,372</u>
<u>December 31, 2022</u>					
Gross carrying amount	\$ 484,663	\$ 10,604	\$ 63	\$ -	\$ 495,330
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 484,663</u>	<u>\$ 10,604</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 495,330</u>

The movements of the loss allowance were as follows:

	For the Year Ended December 31, 2023	
	Notes Receivable	Trade Receivables
Balance, January 1, 2023	\$ -	\$ -
Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ -</u>

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

11. INVENTORIES

	December 31	
	2023	2022
Merchandise	\$ 323	\$ 403
Finished goods	176,956	120,535
Work in process	226,194	259,216
Raw materials and supplies	<u>652,833</u>	<u>769,268</u>
	<u>\$ 1,056,306</u>	<u>\$ 1,149,422</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$1,501,768 thousand and \$2,111,993 thousand, respectively.

The cost of inventories recognized as cost of goods sold included inventory write-downs of \$26,668 thousand and \$23,488 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investee	Main Business	% of Ownership	
		December 31	
		2023	2022
Mega-Fabs Motion Systems Ltd. ("Mega-Fabs")	Research, development, manufacture and sale of drives and controllers	60	60

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	\$ 3,134,841	\$ 2,762,686
Assets leased under operating leases	<u>376,066</u>	<u>391,219</u>
	<u>\$ 3,510,907</u>	<u>\$ 3,153,905</u>

a. Assets used by the Group

For the Year Ended December 31, 2023							
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
<u>Cost</u>							
Land	\$1,598,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,598,673
Buildings and improvements	1,467,697	5,760	-	-	-	-	1,473,457
Machinery and equipment	604,094	7,682	(3,824)	36,277	-	-	644,229
Transportation equipment	30,802	1,220	(2,420)	-	-	-	29,602
Molding equipment	92,113	7,212	(1,201)	82	-	-	98,206
Leasehold improvements	35,932	-	-	119	-	(1,075)	34,976
Miscellaneous equipment	153,401	10,415	(3,990)	721	-	(342)	160,205
Construction in progress	3,077	453,743	-	-	-	-	456,820
	<u>3,985,789</u>	<u>\$ 486,032</u>	<u>\$ (11,435)</u>	<u>\$ 37,199</u>	<u>\$ -</u>	<u>\$ (1,417)</u>	<u>4,496,168</u>
<u>Accumulated depreciation</u>							
Buildings and improvements	571,944	\$ 63,108	\$ -	\$ -	\$ -	\$ -	635,052
Machinery and equipment	415,652	60,459	(3,824)	-	-	-	472,287
Transportation equipment	23,478	2,442	(2,420)	-	-	-	23,500
Molding equipment	80,928	6,346	(1,201)	-	-	-	86,073
Leasehold improvements	14,902	3,492	-	-	-	(441)	17,953
Miscellaneous equipment	116,199	13,449	(2,895)	-	-	(291)	126,462
	<u>1,223,103</u>	<u>\$ 149,296</u>	<u>\$ (10,340)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (732)</u>	<u>1,361,327</u>
							<u>\$2,762,686</u>
							<u>\$3,134,841</u>
For the Year Ended December 31, 2022							
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
<u>Cost</u>							
Land	\$1,598,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,598,673
Buildings and improvements	1,768,240	4,983	-	1,681	(307,207)	-	1,467,697
Machinery and equipment	585,532	23,706	(34,133)	28,989	-	-	604,094
Transportation equipment	30,142	660	-	-	-	-	30,802
Molding equipment	85,312	6,713	(563)	651	-	-	92,113
Leasehold improvements	36,112	533	-	-	-	(713)	35,932
Miscellaneous equipment	141,637	7,074	(3,552)	8,470	-	(228)	153,401
Construction in progress	685	4,073	-	(1,681)	-	-	3,077
	<u>4,246,333</u>	<u>\$ 47,742</u>	<u>\$ (38,248)</u>	<u>\$ 38,110</u>	<u>\$ (307,207)</u>	<u>\$ (941)</u>	<u>3,985,789</u>
<u>Accumulated depreciation</u>							
Buildings and improvements	522,136	\$ 63,780	\$ -	\$ -	\$ (13,972)	\$ -	571,944
Machinery and equipment	394,471	54,691	(33,510)	-	-	-	415,652
Transportation equipment	20,523	2,955	-	-	-	-	23,478
Molding equipment	74,315	7,176	(563)	-	-	-	80,928
Leasehold improvements	11,552	3,635	-	-	-	(285)	14,902
Miscellaneous equipment	105,704	13,633	(2,948)	-	-	(190)	116,199
	<u>1,128,701</u>	<u>\$ 145,870</u>	<u>\$ (37,021)</u>	<u>\$ -</u>	<u>\$ (13,972)</u>	<u>\$ (475)</u>	<u>1,223,103</u>
							<u>\$3,117,632</u>
							<u>\$2,762,686</u>

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	7-20 years
Machinery and equipment	4-12 years
Transportation equipment	5-6 years
Molding equipment	2-10 years
Leasehold improvements	7-14 years
Miscellaneous equipment	3-17 years

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

b. Assets subject to operating leases

	For the Year Ended December 31, 2023			
	Beginning Balance	Transferred from Assets Used by the Group	Additions	Ending Balance
<u>Cost</u>				
Buildings and improvements	\$ 422,128	\$ _____ -	\$ _____ 23	\$ 422,151
<u>Accumulated depreciation</u>				
Buildings and improvements	_____ 30,909	\$ _____ -	\$ _____ 15,176	_____ 46,085
	<u>\$ 391,219</u>			<u>\$ 376,066</u>
	For the Year Ended December 31, 2022			
	Beginning Balance	Transferred from Assets Used by the Group	Additions	Ending Balance
<u>Cost</u>				
Buildings and improvements	\$ 114,748	\$ _____ 307,207	\$ _____ 173	\$ 422,128
<u>Accumulated depreciation</u>				
Buildings and improvements	_____ 3,040	\$ _____ 13,972	\$ _____ 13,897	_____ 30,909
	<u>\$ 111,708</u>			<u>\$ 391,219</u>

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	
	2023	2022
Year 1	\$ 6,125	\$ 19,390
Year 2	1,531	6,125
Year 3	<u>-</u>	<u>1,531</u>
	<u>\$ 7,656</u>	<u>\$ 27,046</u>

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	
	2023	2022
Lease commitments of property, plant and equipment	<u>\$ 26,446</u>	<u>\$ -</u>

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Buildings	<u>\$ 47,364</u>	<u>\$ 49,622</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 6,655</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 7,427</u>	<u>\$ 7,381</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Current	\$ -	\$ 1,184
Non-current	<u>30,932</u>	<u>42,896</u>
	<u>\$ 30,932</u>	<u>\$ 44,080</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Buildings	1.60%-4.03%	1.60%-1.61%

c. Material lease-in activities and terms

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

15. INTANGIBLE ASSETS

	<u>For the Year Ended December 31, 2023</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Cost</u>				
Trademarks	\$ 31,035	\$ -	\$ -	\$ 31,035
Patents	26,881	1,694	-	28,575
Computer Software	<u>79,032</u>	<u>1,147</u>	<u>(2,301)</u>	<u>77,878</u>
	<u>136,948</u>	<u>\$ 2,841</u>	<u>\$ (2,301)</u>	<u>137,488</u>
<u>Accumulated amortization</u>				
Trademarks	28,994	\$ 369	\$ -	29,363
Patents	16,736	1,450	-	18,186
Computer Software	<u>65,576</u>	<u>7,765</u>	<u>(2,301)</u>	<u>71,040</u>
	<u>111,306</u>	<u>\$ 9,584</u>	<u>\$ (2,301)</u>	<u>118,589</u>
	<u>\$ 25,642</u>			<u>\$ 18,899</u>

For the Year Ended December 31, 2022

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

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

Trademarks	3-29 years
Patents	8-26 years
Computer Software	1-8 years

16. BANK LOANS

a. Short-term bank loans

	December 31	
	2023	2022
<u>Unsecured bank loans</u>		
Credit bank loans	<u>\$ 100,000</u>	<u>\$ 80,000</u>
<u>Rate of interest per annum (%)</u>		
Credit bank loans	1.79	1.65

b. Long-term bank loans

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Secured bank loans</u> (Note 27)		
Secured loans - maturity dates range from September, 2024 to December, 2042	\$ 747,340	\$ 570,071
<u>Unsecured bank loans</u>		
Unsecured loans - maturity dates range from May, 2025 to October, 2027	<u>214,305</u>	<u>124,356</u>
	961,645	694,427
Less: Current portion	<u>(143,184)</u>	<u>(87,081)</u>
Long-term bank loans	<u>\$ 818,461</u>	<u>\$ 607,346</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.80-1.99	1.73-1.93
Unsecured loans	1.15-1.32	1.02-1.19

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, 2023, \$244,740 thousand was drawn down for the purchase of machinery and equipment and for the operating capital. The Corporation recognized \$3,413 thousand as government grant, the difference between the value of the loan obtained at a lower-than-market interest rate and its fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the related asset.

17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Payables for salaries and bonuses	\$ 314,264	\$ 335,771
Payables for purchases of building and equipment	191,392	4,073
Payables for annual leave	30,041	28,577
Others	<u>71,398</u>	<u>79,542</u>
	<u>\$ 607,095</u>	<u>\$ 447,963</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 30,715	\$ 30,970
Fair value of plan assets	<u>(20,829)</u>	<u>(19,254)</u>
Net defined benefit liabilities	<u>\$ 9,886</u>	<u>\$ 11,716</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, January 1, 2023	<u>\$ 30,970</u>	<u>\$ (19,254)</u>	<u>\$ 11,716</u>
Service cost			
Current service cost	476	-	476
Net interest expense (income)	<u>349</u>	<u>(224)</u>	<u>125</u>
Recognized in profit or loss	<u>825</u>	<u>(224)</u>	<u>601</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(186)	(186)
Actuarial gain - changes in financial assumptions	(195)	-	(195)
Actuarial gain - experience adjustments	<u>(885)</u>	<u>-</u>	<u>(885)</u>
Recognized in other comprehensive income	<u>(1,080)</u>	<u>(186)</u>	<u>(1,266)</u>
Contributions from the employer	<u>-</u>	<u>(1,165)</u>	<u>(1,165)</u>
Balance, December 31, 2023	<u>\$ 30,715</u>	<u>\$ (20,829)</u>	<u>\$ 9,886</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, 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	<u>628</u>	<u>(86)</u>	<u>542</u>
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	<u>901</u>	<u>(1,309)</u>	<u>(408)</u>
Contributions from the employer	<u>-</u>	<u>(1,320)</u>	<u>(1,320)</u>
Balance, December 31, 2022	<u>\$ 30,970</u>	<u>\$ (19,254)</u>	<u>\$ 11,716</u>

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	
	2023	2022
Discount rates (%)	1.25	1.125
Expected rates of salary increase (%)	3.50	3.50

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	
	2023	2022
Discount rate		
0.25% increase	\$ <u>(381)</u>	\$ <u>(461)</u>
0.25% decrease	\$ <u>393</u>	\$ <u>475</u>
Expected rate of salary increase/decrease		
0.25% increase	\$ <u>377</u>	\$ <u>456</u>
0.25% decrease	\$ <u>(368)</u>	\$ <u>(445)</u>

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	
	2023	2022
Expected contributions to the plan for the next year	\$ <u>1,195</u>	\$ <u>1,231</u>
Average duration of the defined benefit obligation	5 years	5.9 years

19. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>119,802</u>	<u>119,802</u>
Shares issued	\$ <u>1,198,018</u>	\$ <u>1,198,018</u>

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Legal capital reserve	\$ 32,727	\$ 29,643		
Special capital reserve	3,867	-		
Cash dividends	119,802	119,802	\$ 1	\$ 1

The above 2022 and 2021 appropriations for cash dividends have been approved by the Corporation's board of directors on February 23, 2023 and February 24, 2022 respectively; the other proposed appropriations for 2022 and 2021 were also approved by the shareholders in the shareholders' meetings on May 30, 2023 and May 31, 2022, respectively.

The appropriations of earnings for 2023 proposed by the Corporation's board of directors on February 27, 2024 per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal capital reserve	\$ 611	
Special capital reserve	(33)	
Cash dividends	11,980	\$ 0.1

The appropriation of earnings for 2023 is subject to the resolution by the shareholders in their meeting to be held on May 30, 2024.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 12,568	\$ 11,872
Interest on lease liabilities	<u>504</u>	<u>716</u>
	<u>\$ 13,072</u>	<u>\$ 12,588</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	\$ 3,603	\$ 822
Capitalization rates (%)	1.62-1.97	1.01-1.83

b. Employee benefits expense, depreciation and amortization

	Operating Costs	Operating Expenses	Other Operating Income and Expenses	Total
<u>For the Year Ended December 31, 2023</u>				
Short-term employee benefits	\$ 255,185	\$ 418,281	\$ -	\$ 673,466
Post-employment benefits				
Defined contribution plans	10,659	18,204	-	28,863
Defined benefit plans (Note 18)	316	285	-	601
Other employee benefits	10,507	10,106	-	20,613
Depreciation expenses	113,554	43,169	15,176	171,899
Amortization expenses	330	9,254	-	9,584
<u>For the Year Ended December 31, 2022</u>				
Short-term employee benefits	342,811	505,311	-	848,122
Post-employment benefits				
Defined contribution plans	11,805	16,486	-	28,291
Defined benefit plans (Note 18)	335	207	-	542
Other employee benefits	10,784	9,807	-	20,591
Depreciation expenses	104,218	49,033	13,897	167,148
Amortization expenses	591	10,225	-	10,816

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, 2023 and 2022, approved by the Corporation's board of directors on February 27, 2024 and February 23, 2023, respectively, were as follows:

Cash	For the Year Ended December 31			
	2023		2022	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	32.10%	\$ 1,000	5.14%	\$ 21,847
Remuneration of directors	-	-	2.57%	10,923

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

21. INCOME TAXES

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 12,247	\$ 58,710
Income tax of unappropriated earnings	7,292	4,241
Adjustments for prior years	<u>(3,188)</u>	<u>1,973</u>
	16,351	64,924
Deferred tax		
In respect of the current year	<u>(12,336)</u>	<u>13,843</u>
Income tax expense recognized in profit or loss	<u>\$ 4,015</u>	<u>\$ 78,767</u>

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 7,389	\$ 92,051
Non-deductible expenses in determining taxable income	179	310
Tax-exempt income	(161)	(123)
Income tax on unappropriated earnings	8,544	7,349
Investment tax credits used	(8,748)	(22,793)
Adjustments for prior years' tax	<u>(3,188)</u>	<u>1,973</u>
Income tax expense recognized in profit or loss	<u>\$ 4,015</u>	<u>\$ 78,767</u>

The tax rate applicable to the Group under the Income Tax Act in ROC is 20%; the tax rate applicable to Mega-Fabs for the years ended December 31, 2023 and 2022 is 7.5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 1,910	\$ 1,208
Remeasurement of defined benefit plans	<u>(253)</u>	<u>(82)</u>
	<u>\$ 1,657</u>	<u>\$ 1,126</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory devaluation	\$ 45,291	\$ 11,735	\$ -	\$ 57,026
Payable for annual leave	444	(15)	-	429
Defined benefit obligation	2,343	(112)	(253)	1,978
Provisions	105	3,155	-	3,260
Payables for employees' bonuses	13,444	1,554	-	14,998
Unrealized loss on foreign currency exchange	-	1,870	-	1,870
Financial liabilities at FVTPL	153	(153)	-	-
Exchange differences on translation of foreign operations	-	-	1,052	1,052
Others	<u>-</u>	<u>2,896</u>	<u>-</u>	<u>2,896</u>
	<u>\$ 61,780</u>	<u>\$ 20,930</u>	<u>\$ 799</u>	<u>\$ 83,509</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 58,990	\$ 10,254	\$ -	\$ 69,244
Unrealized gain on foreign currency exchange	1,246	(1,246)	-	-
Exchange differences on translation of foreign operations	<u>858</u>	<u>-</u>	<u>(858)</u>	<u>-</u>
	<u>\$ 61,094</u>	<u>\$ 9,008</u>	<u>\$ (858)</u>	<u>\$ 69,244</u>

For the Year Ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory devaluation	\$ 43,464	\$ 1,827	\$ -	\$ 45,291
Payable for annual leave	462	(18)	-	444
Defined benefit obligation	2,580	(155)	(82)	2,343
Provisions	1,099	(994)	-	105
Payables for employees' bonuses	6,696	6,748	-	13,444
Unrealized loss on foreign currency exchange	700	(700)	-	-
Financial liabilities at FVTPL	<u>-</u>	<u>153</u>	<u>-</u>	<u>153</u>
	<u>\$ 55,001</u>	<u>\$ 6,861</u>	<u>\$ (82)</u>	<u>\$ 61,780</u>

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	<u>2,066</u>	<u>-</u>	<u>(1,208)</u>	<u>858</u>
	<u>\$ 41,394</u>	<u>\$ 20,908</u>	<u>\$ (1,208)</u>	<u>\$ 61,094</u>

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

	December 31	
	2023	2022
Investment credits		
Research and development	<u>\$ 41,196</u>	<u>\$ -</u>

- e. Income tax assessments

The tax returns of the Corporation through 2021 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2023</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 5,101	119,802	<u>\$ 0.04</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>54</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 5,101</u>	<u>119,856</u>	<u>\$ 0.04</u>
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 326,942	119,802	<u>\$ 2.73</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>340</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 326,942</u>	<u>120,142</u>	<u>\$ 2.72</u>

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

23. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2023 and 2022.

Cash paid for acquisition of property, plant and equipment for the year ended December 31, 2023 and 2022 were as follows:

	2023	2022
Increase in property, plant and equipment	\$ 486,055	\$ 47,915
Decrease (increase) in payables for purchases of building and equipment	<u>(187,319)</u>	<u>1,681</u>
	<u>\$ 298,736</u>	<u>\$ 49,596</u>

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Short-term Bank loans	Long-term Bank loans	Lease Liabilities
Balance, January 1, 2023	\$ 80,000	\$ 694,427	\$ 44,080
Net financing cash flows	20,000	267,459	(18,973)
Interest under operating activities	-	-	504
Non-cash Changes			
Adjustments for government subsidy	-	(241)	-
Lease liabilities	-	-	6,655
Effects of foreign currency exchange	<u>-</u>	<u>-</u>	<u>(1,334)</u>
Balance, December 31, 2023	<u>\$ 100,000</u>	<u>\$ 961,645</u>	<u>\$ 30,932</u>

For the year ended December 31, 2022

Balance, January 1, 2022	\$ -	\$ 932,068	\$ 44,237
Net financing cash flows	80,000	(237,704)	-
Interest under operating activities	-	-	716
Non-cash changes			
Adjustments for government subsidy	-	63	-
Effects of foreign currency exchange	<u>-</u>	<u>-</u>	<u>(873)</u>
Balance, December 31, 2022	<u>\$ 80,000</u>	<u>\$ 694,427</u>	<u>\$ 44,080</u>

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

- 1) The estimated fair value of short-term financial instruments is based on the book value on the balance sheet. These financial instruments are very close to the expiration date; therefore, the book value is a reasonable basis for the estimation of fair value. This method is applicable to cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term bank loans, notes payable, trade payables and other payable.
- 2) Long-term bank loans' estimated fair value is based on the anticipated cash flow discounted at the long-term interest rate that is available to the Group under similar conditions. The Group's long-term bank loans rate is floating and the book value is equal to its fair value.

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

1) Fair value hierarchy

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

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,291,060	\$ 1,271,897
Financial assets at FVTOCI		
Equity instruments	34,352	26,678
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	-	763
Financial liabilities at amortized cost (2)	1,967,346	1,590,677

- 1) The balances included cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost, other receivables and refundable deposits.
- 2) The balances included short-term bank loans, notes payable, trade payables, other payables and long-term bank loans.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

The sensitivity analysis used when reporting foreign currency risk internally to the executives mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had appreciated by 1% against the relevant foreign currencies, the post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$5,432 thousand and by \$5,563 thousand respectively.

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Deposits in bank	\$ -	\$ 15,355
Lease liabilities	30,932	44,080
Long-term bank loans	214,305	124,356

(Continued)

	December 31	
	2023	2022
Cash flow interest rate risk		
Deposits in bank	\$ 788,151	\$ 715,438
Short-term bank loans	100,000	80,000
Long-term bank loans	747,340	570,071
		(Concluded)

Sensitivity analysis

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

If interest rates had been 1% higher with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2023 and 2022 would have (decreased) increased by \$(474) thousand and \$523 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2023 and 2022, the Group's available unutilized bank loan facilities of \$2,011,410 thousand and \$2,031,420 thousand, respectively.

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

	Less Than 1 Year	1-5 Years	More than 5 Years
<u>December 31, 2023</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 560,395	\$ -	\$ -
Lease liabilities	-	26,058	7,238
Fixed interest rate liabilities	71,677	142,628	-
Variable interest rate liabilities	<u>171,507</u>	<u>275,750</u>	<u>400,083</u>
	<u>\$ 803,579</u>	<u>\$ 444,436</u>	<u>\$ 407,321</u>

December 31, 2022

Non-derivative financial liabilities			
Non-interest bearing	\$ 419,132	\$ -	\$ -
Lease liabilities	1,301	31,227	14,312
Fixed interest rate liabilities	14,350	110,006	-
Variable interest rate liabilities	<u>152,731</u>	<u>275,007</u>	<u>222,333</u>
	<u>\$ 587,514</u>	<u>\$ 416,240</u>	<u>\$ 236,645</u>
Derivative financial liabilities			
Foreign currency forward contracts	<u>\$ 763</u>	<u>\$ -</u>	<u>\$ -</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2023</u>					
Lease liabilities	\$ -	\$ 26,058	\$ 7,238	\$ -	\$ -
Fixed interest rate liabilities	71,677	142,628	-	-	-
Floating interest rate liabilities	<u>171,507</u>	<u>275,750</u>	<u>250,083</u>	<u>83,333</u>	<u>66,667</u>
	<u>\$ 243,184</u>	<u>\$ 444,436</u>	<u>\$ 257,321</u>	<u>\$ 83,333</u>	<u>\$ 66,667</u>
<u>December 31, 2022</u>					
Lease liabilities	\$ 1,301	\$ 31,227	\$ 14,312	\$ -	\$ -
Fixed interest rate liabilities	14,350	110,006	-	-	-
Floating interest rate liabilities	<u>152,731</u>	<u>275,007</u>	<u>222,333</u>	<u>-</u>	<u>-</u>
	<u>\$ 168,382</u>	<u>\$ 416,240</u>	<u>\$ 236,645</u>	<u>\$ -</u>	<u>\$ -</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party</u>	<u>Relationship with the Group</u>
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
Suzhou Matrix Precision Machinery Co., Ltd. (Suzhou Matrix)	Other related party

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
1) Sales of goods		
Hiwin Germany	\$ 190,392	\$ 417,234
Other related parties	<u>485,888</u>	<u>573,277</u>
	<u>\$ 676,280</u>	<u>\$ 990,511</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable, price and terms were determined in accordance with mutual agreements. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing. Credit terms of the related parties are O/A 90 to 150 days and 90 days after the end of the month.

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
2) Purchases of goods		
Other related parties	<u>\$ 53,261</u>	<u>\$ 103,063</u>

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable. Payment terms are O/A 90 to 120 days and 60 to 90 day after the end of the month.

3) Other income (classified as subtraction of cost of goods sold)

For the Year Ended December 31
2023 **2022**

Other related parties	\$ <u>32,710</u>	\$ <u>-</u>
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4) Other operating transactions

Manufacturing and operating expenses		
Other related parties	\$ <u>2,331</u>	\$ <u>3,928</u>

Non-operating income - rental income (classified as other income)		
Hiwin Technologies	\$ <u>19,390</u>	\$ <u>17,859</u>

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

For the Year Ended December 31
2023 **2022**

Non-operating income - dividend income (classified as other income)		
Hiwin Technologies	\$ <u>804</u>	\$ <u>617</u>

Non-operating income - other income (classified as other income)		
Other related parties		
Hiwin Technologies	\$ 4,517	\$ 11,657
Matrix Precision	<u>3,446</u>	<u>1,824</u>
	<u>\$ 7,963</u>	<u>\$ 13,481</u>

Non-operating income - other expenses (classified as other expenses)		
Matrix Precision	\$ <u>2,880</u>	\$ <u>-</u>

December 31
2023 **2022**

5) Notes receivable

Other related parties	\$ <u>365</u>	\$ <u>-</u>
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	December 31	
	2023	2022
6) Trade receivables		
Other related parties		
Hiwin Technologies	\$ 53,373	\$ 58,879
Hiwin USA	34,045	19,770
Hiwin Japan	13,194	51,343
Hiwin Germany	-	99,331
Others	<u>26,574</u>	<u>52,683</u>
	<u>\$ 127,186</u>	<u>\$ 282,006</u>
7) Other receivables		
Other related parties		
Hiwin Technologies	\$ 38,091	\$ 2,710
Others	<u>171</u>	<u>27</u>
	<u>\$ 38,262</u>	<u>\$ 2,737</u>
8) Prepayments for purchases of goods (classified as other current assets)		
Other related parties	<u>\$ 13</u>	<u>\$ -</u>
9) Prepayments for machinery and equipment		
Other related parties	<u>\$ -</u>	<u>\$ 688</u>
10) Trade payables		
Other related parties	<u>\$ 432</u>	<u>\$ -</u>
11) Other payables		
Other related parties	<u>\$ 34,678</u>	<u>\$ -</u>
12) Guarantee deposits received (classified as other non-current liabilities)		
Hiwin Technologies	<u>\$ 1,616</u>	<u>\$ 1,616</u>
c. Transaction of property, plant and equipment		
1) Acquisition of property, plant and equipment		
	Purchase Price	
	For the Year Ended December 31	
	2023	2022
Other related parties	<u>\$ 2,167</u>	<u>\$ 3,827</u>

2) Disposal of property, plant and equipment

	<u>Proceeds</u>		<u>Gain or Loss Disposal</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>985</u>	\$ <u>645</u>	\$ <u>(110)</u>	\$ <u>40</u>

d. Acquisition of intangible assets

	<u>Purchase Price</u>	
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>-</u>	\$ <u>625</u>

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

<u>Related Party Name</u>	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Matrix Precision		
Amount endorsed	\$ <u>288,000</u>	\$ <u>288,000</u>
Amount utilized (classified as bank loans)	\$ <u>-</u>	\$ <u>-</u>

f. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 39,566	\$ 64,889
Post-employment benefits	<u>651</u>	<u>622</u>
	\$ <u>40,217</u>	\$ <u>65,511</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ <u>2,813,078</u>	\$ <u>2,142,737</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2023 and 2022, commitment for the acquisition of property, plant and equipment amounted to \$473,176 thousand and \$945,756 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,856	30.71	\$ 609,674	\$ 14,215	30.71	\$ 436,530
RMB	21,629	4.33	93,590	20,286	4.41	89,421
EUR	1,137	33.98	38,621	4,395	32.72	143,809
JPY	93,684	0.22	20,348	256,873	0.23	59,697
<u>Financial liabilities</u>						
Monetary items						
USD	405	30.71	12,422	495	30.71	15,193
RMB	7,216	4.33	31,224	2,738	4.41	12,070
EUR	1,127	33.98	38,298	82	32.72	2,671
JPY	6,163	0.22	1,339	17,716	0.23	4,117

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

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	\$ 1,908	1 (NTD:NTD)	\$ 42,817
ILS	8.46 (ILS:NTD)	<u>8,692</u>	8.87 (ILS:NTD)	<u>34,385</u>
		<u>\$ 10,600</u>		<u>\$ 77,202</u>

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Notes 8 and 9)

- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 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 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 - 9) Trading in derivative instruments. (Notes 7 and 25)
 - 10) Other: intercompany relationships and significant intercompany transactions. (Table 3)
 - 11) Information on investees. (Table 4)
- b. Information on investments in mainland China. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

31. SEGMENT INFORMATION

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

a. Segment revenue and results

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

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2023	2022	2023	2022
Precision motion and control parts	\$ 1,238,811	\$ 1,834,333	\$ 11,999	\$ 184,682
Micro and nano-positioning systems	907,360	1,356,289	13,626	188,454
Others	<u>24,029</u>	<u>37,758</u>	<u>457</u>	<u>5,420</u>
Total from continuing operations	<u>\$ 2,170,200</u>	<u>\$ 3,228,380</u>	26,082	378,556
Subsidy revenue			1,311	4,701
Finance costs			(13,072)	(12,588)
Interest income			4,107	1,166
Other income			31,972	38,355
Net foreign exchange gain			10,600	77,202
Valuation gain (loss) on financial assets (liabilities) at FVTPL			699	(1,081)
Other expenses			<u>(18,405)</u>	<u>(15,063)</u>
Profit before income tax			<u>\$ 43,294</u>	<u>\$ 471,248</u>

Segment revenue reported above represents revenue generated from sales made to external customers. There were no intersegment sales for the years ended December 31, 2023 and 2022.

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

b. Segment total assets and liabilities

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

c. Geographical information

The Group operates in Taiwan and Israel.

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

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 1,871,743	\$ 2,760,911	\$ 3,530,869	\$ 3,205,354
Israel	<u>298,457</u>	<u>467,469</u>	<u>66,566</u>	<u>72,393</u>
	<u>\$ 2,170,200</u>	<u>\$ 3,228,380</u>	<u>\$ 3,597,435</u>	<u>\$ 3,277,747</u>

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

d. Information about major customers

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 676,280	31	\$ 990,511	31
Customer B	490,867	23	748,387	23

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 489,000	\$ 489,000	\$ 489,000	\$ 232,501	\$ -	12.9%	\$ 1,324,986	-	-	-

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.

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, 2023

(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	\$ 190,392	10%	O/A 90 days	\$ -	-	\$ -	-	
	Hiwin Technologies	Other related party	Sale	170,960	9%	90 days after the end of the month	-	-	53,373	13%	

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Mega-Fabs	1	Sales	\$ 2,391	O/A 30 days	-
			1	Cost of goods sold	25,399	O/A 30 days	1
			1	Trade payables	2,088	O/A 30 days	-
			1	Manufacturing and operating expenses	5,049	-	-
			1	Other payables	977	-	-

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

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income of the Investee	Share of Profit	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Corporation	Mega-Fabs	Israel	Research, manufacture and sale of drives and controllers	\$ 63,650	\$ 63,650	360,000	60	\$ 407,778	\$ 85,878	\$ 51,267	Subsidiary

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 5**HIWIN MIKROSYSTEM CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Chuo, Shou-Yeu	22,395,630	18.69%
Hiwin Technologies Corporation	9,525,676	7.95%
Hiwin Investment Corporation	6,592,991	5.50%

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

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