

# ***2016 Annual Report***

**HIWIN TECHNOLOGIES CORP.**

2017.6.9

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# **I. Letter to Shareholders**

**Dear Shareholders,**

The company's consolidated revenue was NT\$ 16.12 billion in 2016, up 8.4% from last year's NT\$ 14.88 billion, reaching a record high! According to the information released by IEK of Industrial Technology Research Institute, the output value of Taiwan's machinery industry was down 6.4% from 2015. In such an environment, HIWIN was still able to deliver stable performance because it has made long-term investment in brand management, global marketing, refined process and innovations. That's why its output value could still grow before the global economy disentangles itself from New Mediocre, which shows HIWIN's strong business capacity with global layout!

Having always been devoted to developing intelligent automation products, HIWIN is the best partner of industry 4.0. For example, using the smart ball screw and linear guideway system with the sensing function, the operator can monitor and predict the machinery equipment service condition remotely from the cloud, which increases the product's added value. The product has attracted several big factories from Germany and Japan to seek business partnerships with HIWIN in various exhibitions. HIWIN has also signed a memorandum with Siemens Taiwan to help with the transformation and upgrading of Taiwan's machine tool industry. In the future, they'll integrate their technologies and techniques to assist their customers and build a digital smart factory step by step.

In terms of medical products, Robotic Gait Training System is being sold in mainland China; the robotic endoscope holder has also achieved CE certification, been used in abdominal operation training course in IRCAD/AITS and extended to Southeast Asian market; after achieving CE and TFDA certification, the robot for bath starts to be used in social welfare institutions, striving to improve humans' quality of life.

To cope with the rapidly growing requirements for intelligent automation and robots, HIWIN expands its global manufacturing base positively: HIWIN Offenburg was completed in 2016, and land was purchased in Chicago for expansion to intensify the local market capacity. In Taiwan, the groundbreaking ceremony of a new factory in Chiayi Dapumei Precision Machinery Park was conducted, which was required to be designed and planned with the concept of intelligent manufacturing and will serve as the manufacturing base of robots, ball screws, important manufacturing processes of front ends of linear guideways. This overall arrangement will add momentum to HIWIN's revenue growth while it's marching towards the world's No.1 leading brand.

HIWIN gained recognition from media at home and abroad for its R&D innovation and business performance. It ranked 5th in Top 100 Listed Enterprises by Comprehensive Growth Force published by Nikkei Business in 2016; the single axis robot designed by R&D team from HIWIN Germany won iF and Red Dot awards, making HIWIN the first manufacturer that won 2 awards at the same time in the global drive control field; it won Taiwan Excellence Gold Award and Taiwan Excellence Silver Award given by the Ministry of Economic Affairs for the 17th consecutive year; Robotic Gait Training System also achieved SNQ certification and won the bronze medal of "National Biotechnology & Medical Care Quality Awards" (it has become the "Oscar" in Taiwan's biomedicine circle, rerepresenting the recognition for the highest quality). Besides, it was also awarded "Taiwan Corporate Social Award", "Taiwan Corporate Social Award-People Development Awards" and the Gold Award of Top 50 Taiwan Corporate Sustainability Reports by Taiwan Institute for Sustainable Energy. These are some achievements of the HIWIN team's long-term efforts.

The investment of HIWIN still focuses on education, including holding "HIWIN Thesis Award" for the 13<sup>th</sup> time, JIMTOF, "HIWIN Doctoral Dissertation Award" for the 6<sup>th</sup> time, which motivated students and teachers from mainland China, Taiwan, Hongkong and Macao in the machinery field to participate enthusiastically and improved

the education quality in mechanical engineering and intelligent automation fields, and the 9<sup>th</sup> “HIWIN Intelligent Robot Arm” practical competition, where young students gave life to the cold robot arms, and assisted Taiwan Automation Intelligence and Robotics Association holding automation engineer (the 15<sup>th</sup>) and robot engineer certification exams (the 1<sup>st</sup>).

Looking ahead to 2017, we can see that the trend of intelligent manufacturing will be more clear, which will provide a greater development opportunity for our products. Though Trump’s being in office brings uncertainties, all our colleagues will still work positively. I believe we certainly will continue to create brilliant achievements in the new year with the support from all our colleagues, all shareholders, government agencies and banking consortia!

The implementation results of the business plan 2016 are shown as below:

## **i. Business Report 2016**

### **(i) Implementation Results of the Business Plan**

The combined financial statement shows the revenue for 2016 was NT\$ 14.118298 billion, up 8% from NT\$ 14.881048 billion in 2015; the operating profit was NT\$ 1.450907 billion, down 24% from NT\$ 1.902617 billion in 2015; the net profit before tax was NT\$ 1.189697 billion, down 35% from NT\$ 1.834186 billion in 2015; the net profit after tax belonging to the owner of the parent company was NT\$ 1.326815 billion, down 19% from NT\$ 1.642238 billion in 2015; the earnings per share were NT\$ 4.83, down 19% from NT\$ 5.98 in 2015.

### **(ii) Financial Revenues and Expenditures, and Profitability Analysis**

#### **1. Financial Revenues and Expenditures**

Unit: Billion

Item \ Year	Number of Certified Financial Statements in 2016	
	Amount	Percentage
Net Revenue	16.118298	100%
Operating Costs	10.816253	67%
Operating Margin	5.302045	33%
Operating Expenses	3.851138	24%
Operating Profit	1.450907	9%
Non-Operating Net Expenditure	0.261210	2%
Net Profit After Tax	0.960777	6%
Net Profit After Tax Belonging to the Owner of the Parent Company	1.326815	8%

Note: this is a combined financial statement and our company doesn’t disclose the financial forecasting 2016, so the budget achieving rate cannot be disclosed.

## 2. Profitability Analysis

Item	2016 年
Return On Assets	3.33%
Return On Equity	6.56%
Operating Profit/Paicl-Up Capital Ratio	52.82%
Net Profit Before Tax/Paicl-Up Capital Ratio	43.31%
Net Profit Ratio	5.96%
Earnings Per Share (NT\$)	4.83

### (iii) State of Research and Development

1. In 2016, R&D expenditure accounted for 6 of the business volume; 211 patent applications were filed and 227 Letters Patents were issued; we had 1372 valid patents by the end of 2016.
2. Our Rankings in Top 100 Patents 2016 Selected by Taiwan Intellectual Property Office, MOEA (Legal Persons in Taiwan):
  - (1) Patent applications ranked 67<sup>th</sup>
  - (2) Invention Patent Applications ranked 71<sup>st</sup>
  - (3) Invention Patent Certificates ranked 55<sup>th</sup>
  - (4) Patent Certificates ranked 42<sup>nd</sup>Its R&D achievements are second to none in the field of metal, steel and precision machinery in Taiwan, holding onto its leadership position.
3. The single axis robot module won iF and Red Dot awards, setting a precedent; the wafer robot won the 25<sup>th</sup> Taiwan Excellence Silver Award given by the Ministry of Economic Affairs.
4. R&D Achievements:
  - (1) Development and pilot volume production of new recirculating ball screw (Super Z)
  - (2) Development and pilot volume production of auxiliary lubrication module (EL) of ball screw
  - (3) Continued development of next-generation smart ball screw
  - (4) Continued development and volume production of linear guideway (CG) of high-resistant torque DB
  - (5) The robotic endoscope holder achieved CE and GMP certification.
  - (6) Immersion bath MHS-B100 achieved GMP certification.
  - (7) Bath shifting machine MLT-H100 achieved TFDA certification.
  - (8) Expansion and volume production of articulated robot arm and parallel robot arm, SCARA robot arm and electric clamping jaw
  - (9) Continued development and volume production of AB axis and AC axis.
  - (10) Continued development and volume production of self-lubricating oil tank.

## **ii. Business Plan Outline 2017**

### **(i) Business Policy**

- 1.Continuing innovating and strengthening the full module technology integration capability to create added values for customers;
- 2.Improving manufacturing intelligent automation to meet market requirements quickly;
- 3.Integrating marketing and developing new products to provide services for customers' product upgrading.

### **(ii) Expected Sales Volume and Its Basis**

1. The expected sales volume of our company for 2017 is shown as below:

Unit: 1000

Product Category	Sales Volume
Ball Screw	1,500
Linear Guideway	18,500
Industrial Robot	1,000
Total	21,000

2. Basis

The company's product sales volume for 2017 is estimated based on the global economic trend, the industrial management environment, market supply and demand, competition situation, an analysis of business development of the existing client base and potential customer development progress and the balance of production and marketing.

### **(iii) Important Production and Sales Policy**

1. Providing customers with solutions based on collaborative design and original service;
2. Electromechanical integrated marketing; providing robot system service; making horizontal alliances based on the Partner Ecosystem thinking to become the best partner of customers in automation and manufacturing upgrading;
3. Focusing on the global channel and building a new business model of local fast delivery to meet market demand rapidly;
4. Realizing intelligent automation of production, strengthening quality control, reducing costs and providing customers with stable and high precision products.

### **(iv)Future Company Development Strategy**

1. Improving the intelligent automation capacity to fit the trend of intelligent manufacturing;
2. Strengthening the advantages of self-making key components of various robots and production equipment;
3. Continuing to build high-value products and expanding new application fields;
4. Extending from the core technology to develop new diversified products and expanding the medical market and the new energy market, etc.

### **(v) Effects of External Competitive Environment, Regulatory Environment and Overall Business Environment**

Looking ahead to 2017, International Monetary Fund (IMF) predicts the global economic growth rate will be 3.4% and continues to revise up America's growth rate; the report points out the global economy will

accelerate in 2017 and 2018 after experiencing slowdown in 2016; however, 2017 will see a higher volatility due to the uncertainties brought by Trump's holding power, raised interest rates and exchange rate changes. The manufacturing industry booms, which is a good opportunity for the key component products of HIWIN; however, the surging demand for capacity coincides with the implementation of the policy "one fixed day off and one flexible rest day" in Taiwan, which will surely increase the labor cost; therefore, factory automation becomes the the biggest challenge for companies and this is also the greatest opportunity for HIWIN. Compared with that of other companies in the same trade, the advantage of HIWIN is that most robots and equipment components are self-made; it will improve the speed and capacity of intelligent automatic production this year to meet demands of global customers.

In terms of the competitive environment, made-in-China products increase in both quantity and quality; among its competitors, there's a growing number of manufacturers able to manufacture ball screws and linear motors, which may be sold to European and American markets from this year on. Faced with this great pressure, HIWIN will provide total solutions and meet the challenge head-on with its tight-knit marketing service network around the world besides making the properties of its products differentiated.

Having long been devoted to developing new products positively, HIWIN has the greatest diversity of robots. With its core technology and ability to make key components by itself, it has become the best partner of customers in industry upgrading and moving towards intelligent and automatic industry. Along the way, these results of efforts are the best weapon for HIWIN to confront external business environment changes and horizontal competition. Therefore, facing future management and development, we're confident that we can continue to expand market in the fast-changing environment and march towards number one in the world.

Truly Yours

Eric Y. T. Chuo (Chairman)

HIWIN Technologies Corp.























## II. Company Profile

### 1. Establishment Date

1989年     •Established in Oct.

### 2. Company History

- 1992     •Set up a subsidiary in USA.  
         •Acquired ISO 9001 certification through SGS, UK. 
- 1993     •Acquired HOLZER and set up a subsidiary in Germany.  
         •Acquired Aircraft Quality Systems Approval by McDonnell Douglas Corp., USA.  
         •Precision Ballscrew Awarded the 1st “Taiwan Excellence Silver Award”. 
- 1996     •Merged with Finest Ballscrew Company, Taiwan. 
- 1997     •Acquired ISO 14001 certification from TÜ V Germany. 
- 1999     •Linear Bearing Awarded the 7th “Taiwan Excellence Gold Award”.   
         •Strategic alliance formed with Parker Hannifin, USA.  
         •HIWIN Linear Guideway was Awarded the 8th “Taiwan Excellence Award”.  
         •Set up a subsidiary in Japan.
- 2000     •HIWIN Germany reinvested HIWIN Switzerland.    
         •Awarded the “Excellence Award” of the 8th “Industrial Technology Advancement Award” from MOEA.  
         •Awarded the 1st “Industrial Excellence Award” by MOEA.  
         •Ranked 79<sup>th</sup> in Top Patents 100 of National Institutional Corps in Taiwan. 
- 2001     •HIWIN Germany reinvested HIWIN Czech Republic.  
         •High Speed Ballscrew Awarded 9th “Taiwan Excellence Silver Award”.   
         •Ranked 816<sup>th</sup> in Top 1,000 Manufacturers 2001 by Common Wealth Magazine. 
- 2002     •Self-lubricated Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.  
         •Awarded the Gold Medal of the 11th “National Invention Award” by MOEA.    
         •Awarded “Outstanding Promoter” of “National Award of Excellence-Taiwan”.  
         •Ranked 65<sup>th</sup> in Top 100 Patents of National Institutional Corps in Taiwan.  
         •Ranked 855<sup>th</sup> in Top 1,000 Manufacturers 2002 by Common Wealth Magazine.   
         •Acquired OSHA 18001 Occupational Safety and Health Certificate by TÜ V Germany. 
- 2003     •Precision Linear Module Awarded the 11th “National Product Image Gold Award”.  
         •Purchased a land with an area of 15,332 tsubo in Yun-Lin Science Industrial Park and built a plant in the first phase.   
         •Ranked 734<sup>th</sup> in Top 1,000 Manufacturers 2003 by Common Wealth Magazine.

- 2004
- Awarded “Most Outstanding” of the 12th “Industrial Technology Advancement Award” by MOEA. 
  - Continued the expansion of the new factory in Yun-Lin Science Industrial Park and started production.
  - R&D Center in Tokyo, Japan was founded.
  - Hosted the first HIWIN THESIS AWARDS.
  - Ranked 603<sup>rd</sup> in Top 1,000 Manufacturers 2004 by Common Wealth Magazine.
- 2005
- Awarded the 2<sup>nd</sup> Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
  - All-Electric Injection Molding Machine Ballscrew Awarded the 11th “National Product Image Gold Award”. 
  - Selected “Enterprise Citizen” by Common Wealth Magazine.
  - Ranked 79<sup>th</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
  - Ranked 552<sup>nd</sup> in Top 1,000 Manufacturers 2005 by Common Wealth Magazine.
- 2006
- Won First Place in the competition of acquiring new land in Taichung Precision Machinery & Innovation Park planned by Taichung City Government among over 500 companies and got a land of 12,665 tsubo. 
  - Awarded the 3<sup>rd</sup> Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
  - Super S Ballscrew Awarded the 14th “Taiwan Excellence Silver Award”.
  - New factory started in Chicago, US.
  - Ranked 40<sup>h</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
  - Ranked 513<sup>th</sup> in Top 1,000 Manufacturers 2006 by Common Wealth Magazine.
- 2007
- Ranked 3<sup>rd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
  - Selected as the benchmarking company in “Flagship Enterprise Development Project” by MOEA.
  - Groundbreaking for the new headquarter in Taichung Precision Machinery & Innovation Park.
  - Acquired new land and started new plant in Tanzi.
  - Acquired ISAT certification from Applied Material (USA) and became a qualified supplier.
  - Ranked 32<sup>nd</sup> in Top 100 Patents of National Institutional Corps in Taiwan.
  - HIWIN Germany acquired new factory and land with an area of about over 2000 square metres to merge with the old plant and expand production capacity.
  - RG Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
  - Ranked 440<sup>th</sup> in Top 1,000 Manufacturers 2007 by Common Wealth Magazine.
- 2008
- Ranked 3<sup>rd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine. 
  - 105,214 m<sup>2</sup> land in Dapumei Intelligent Industrial Park Registered.
  - E2 Series Awarded the 16th “Taiwan Excellence Gold Award”. 

- Awarded the Industry Contribution Award of “National Invention Award” 2008 from Intellectual Property Office, MOEA.
  - Hosted the first HIWIN Intelligence Robotic Competition.
  - Ranked 36<sup>th</sup> in Top 100 Patents of National Institutional Corps 2008 in Taiwan.
  - Obtained the certification of Taiwan Occupational Safety & Health Management System (TOSHMS).
- 2009
- Ranked 380<sup>th</sup> in Top 1,000 Manufacturers 2008 by Common Wealth Magazine.
  - Ranked 3<sup>rd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
  - Energy Conservation Driving Module R1 Series was Awarded the 17th “Taiwan Excellence Gold Award”.
  - Listed on the Taiwan Stock Exchange.
  - Awarded Taiwan Superior Brands Award 2009 by Bureau of Foreign Trade, MOEA.
  - CEO was honored the Gold Merit winner of National Innovation Award (Individual Category) by Intellectual Property Office, MOEA.
  - Honored with the Excellent Copr. Award for Reserve Military Officer by Ministry of National Defense.
  - 20th anniversary of HIWIN.
  - Reinvested MegaFabs Motion Systems LTD in Israel.
  - Ranked 33<sup>rd</sup> in Top 100 Patents of National Institutional Corps 2009 in Taiwan.
  - Ranked 471<sup>st</sup> in Top 1,000 Manufacturers 2009 by Common Wealth Magazine.
- 2010
- Additional 97,567 m<sup>2</sup> land in Dapumei intelligent Industrial Park Registered, total land area reaching 149,706 m<sup>2</sup>.
  - Energy Conservation Driving Module SK Series Awarded the 18th “Taiwan Excellence Gold Award”.
  - Ranked 59<sup>th</sup> in Top 100 Patents of National Institutional Corps 2010 in Taiwan.
  - Received the 2<sup>nd</sup> Contribution Award for Job Creation from Executive Yuan.
  - Honored with the Contribution Award for Providing Job Opportunities to Veterans by Executive Yuan.
  - Received the Contribution Award for Job Creation from Taichung City Government.
  - Awarded the National Champion Award by MOEA for committing public facilities green landscaping, and employing specialists for long term maintenance.
  - Ranked 313<sup>th</sup> in Top 1,000 Manufacturers 2010 by Common Wealth Magazine.
  - Ranked 2<sup>nd</sup> of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- 2011
- Received the 1<sup>st</sup> Contribution Award for Job Creation from Executive Yuan.
  - Energy-Saving & Thermal-Controlling Ballscrew C1 Series Awarded the 19th “Taiwan Excellence Gold Award”.



- Awarded Taiwan Top 100 Brands by Bureau of Foreign Trade, MOEA.
- Awarded the first “Monte Jade Innovation Award” by Monte Jade Science and Technology Association.
- Awarded the first “Taiwan Green Classic Award” by MOEA.
- Awarded Taiwan Top 10 Innovative Enterprises 2011 by MOEA.
- Awarded National Enterprises Innovation Award.
- Received the “Taiwan TrainQuali System-Enterprise TTQS” Silver Award.
- Hosted 1st Annual HIWIN Doctoral Dissertation Award.
- CEO was honored with the Management of Technology Award from Chinese Society for Management of Technology.
- CEO was honored with SUPER MVP Manager of the year from Manager Today Magazine.
- CEO was awarded the Honorary Doctor of Engineering from National Kaohsiung First University of Science & Technology.
- CEO received the Honorary Professor glory from Dalian University of Technology.
- Ranked 33<sup>rd</sup> in Top 100 Patents of National Institutional Corps 2011 in Taiwan.
- Ranked 223<sup>th</sup> in Top 1,000 Manufacturers 2011 from Common Wealth Magazine.



- 2012
- Honored with the Contribution Award for providing job opportunities to alternative military service from Ministry of the Interior.
  - Acquired Greenhouse Gases Emissions ISO14064-1 Certificate.
  - Acquired Product Carbon Footprint PAS 2050-1Certificate.
  - Ranked No. 1 of the Best Business Performance from 2009~2011 by Common Wealth Magazine.
  - Awarded for the safety working environment record of continuously occupational accidents or injuries free by Council of Labor Affairs.
  - Ranked the No.21 of the Taiwan “2012 Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
  - Recirculation Divide Ballscrew RD Series Awarded with the 20th “Taiwan Excellence Gold Award”.
  - The new HIWIN Global Headquarter and R&D Center were officially opened.
  - Forbes 2012 Honor “200 Best Under A Billion”.
  - Awarded “Taiwan Top 20 Innovative Enterprises” by Ministry of Economic Affairs.
  - TTQS Certificate of TaiwanTrainQuali System Enterprise Version Gold.
  - CEO was awarded the Honorary Doctor of Business Administration from National Chung Cheng University.
  - Ranked 257<sup>th</sup> in Top 1,000 Manufacturers 2012 from Common Wealth Magazine.
  - CEO was awarded the 6th National Excellence Manager Outstanding Achievement Award by Chinese Professional Management Association. In the meantime, the Associate Vice President Dr. Jerry Chiu was awarded the 30th National Excellence R&D Manager Award.



- Operational Headquarters Received the honor of “Taichung Outstanding Healthy Workplace” by Bureau of Health Promotion, Department of Health, ROC.
- 2013
- Awarded the first Taiwan Mittelstand Award.
  - Crossed Roller Bearing Series Awarded with the 21th “Taiwan Excellence Gold Award”
  - Received the “Taiwan TrainQuali System-Enterprise TTQS” Gold Award.
  - Acquired ISO 13485 certification.
  - Honored with the SGS 18 Years Merit Award by SGS Yarsley Ltd., UK.
  - Awarded “Taiwan Top 20 Innovative Enterprises” by Ministry of Economic Affairs.
  - CEO was awarded the Honorary Alumnus with Golden Eagle Award by Tamkang University.
  - Started Management Associate Program to develop international marketing talents.
  - HIWIN signed the Industry-Academy Collaboration contract with Taichung Industrial High School and National Taiwan University of Science and Technology, to foster the future leaders.
  - “Chuo Yung-Tong Memorial Library” donation contract signing ceremony was held in Dec. 2013.
  - HIWIN released the first “Corporate Social Responsibility Report”.
  - Subsidiaries in Singapore, South Korea, and Italy, were founded.
  - Ranked 259<sup>th</sup> in Top 1,000 Manufacturers 2013 from Common Wealth Magazine.
- 2014
- Tangential External Recirculation Ballscrew Super T Series Awarded with the 22th “Taiwan Excellence Gold Award”.
  - Introduced the Toyota Production System (TPS) for improvement.
  - Ranked No.50 of “The World’s Most Innovative Growth Companies 2014” by Forbes.
  - HIWIN was selected as No.1 weighted component in the investment benchmark Index “The ROBO-STOX Global Robotics & Automation Index “ among 81 promising worldwide companies.
  - HIWIN established collaborative research centers with National Tsing Hua University.
  - HIWIN-MPEI (Moscow Power Engineering Institute) Precision Electrical Engineering Research Center established.
  - HIWIN teamed up with industrial computer supplier Advantech Co.
  - Stone ceremony for the second factory of HIWIN GmbH was held.
  - Awarded Taiwan Top 20 Innovative Enterprises by MOEA.
  - HIWIN Robotic Gait Training System acquired the CE Medical Devices Certificate.
  - Subsidiary in Suzhou, China, was founded.
  - Held the groundbreaking ceremony of “Chuo Yung-Tong Memorial Library”.
  - Awarded the “Taiwan Corporate Sustainability Awards (TCSA)” and honored with “Social Inclusion Award”.
  - Selected as one of the favorite enterprise for R&D alternative service.
  - Acquired the Certification of Taiwan Intellectual Property Management System (TIPS).
  - Ranked 227<sup>th</sup> in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.



- 2015
- Acquired 48% stake in Luren Precision Co.,Ltd.
  - Acquired the certification of ISO 50001 Energy Management System.
  - Ranked No.37 of “The World’s Most Innovative Growth Companies 2015” by Forbes.
  - Robotic Gait Training System MRG-P100 Awarded with the 23th “Taiwan Excellence Gold Award”.
  - General Manager Enid Tsai was honored “50 Power Businesswomen In Asia” by Forbes, the only one from Taiwan.
  - Released “Corporate Social Responsibility Report” 2013~2014 and acquired AA1000 certification.
  - Awarded Taiwan Corporate Sustainability Awards (TCSA) and Growth through Innovation Awards.
  - Ranked the No.31 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
  - Cooperated with China Medical University to set up a R & D Center.
  - Entered Top 20 Innovative Companies selected by MOEA.
  - Started a new project of “Jingke Plant II”.
  - Held the groundbreaking ceremony of dormitories of Taichung City Precision Machinery Innovation Technology Park.
  - CEO was awarded an honorary doctorate of philosophy from National Tsing Hua University and an honorary doctorate of engineering from Taiwan University of Technology.
  - Ranked 259<sup>th</sup> in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.
- 2016
- Rated as No.5 in Top100 Global Growth Enterprises by Nikkei Business Publications.
  - Held cornerstone-laying ceremony for a new plant of HIWIN China.
  - Ranked in the top 5 percent of listed companies in the 2<sup>nd</sup> Corporate Governance Evaluation.
  - The single axis robot module won iF and Red Dot awards.
  - Delta Robot, a parallel one, won Taiwan Excellence Silver Award.
  - CEO Ranked 25<sup>th</sup> in Top 50 Taiwanese CEOs 2015 selected by Harvard Business Review.
  - Signed a memorandum with IRCAD/AITS on “Robotic Endoscope Holder” surgery training courses and promotion.
  - Chairman Eric Y. T. Chuo received an honorary doctorate of science from China Medical University.
  - CNC rotating table achieved EU CE certification.
  - HIWIN and Etron signed a memorandum.
  - HIWIN, HIWIN MIKROSYSTEM and Global MEMS signed a memorandum.
  - Awarded “the 17<sup>th</sup> National Standardization Award” by the Bureau of Standards, Metrology & Inspection, M.O.E.A.
  - New factory started in the 2<sup>nd</sup> factory area in HIWIN Germany.



- Awarded “Taiwan Corporate Social Award”, “Taiwan Corporate Social Award- People Development Awards” and the Gold Award of Top 50 Taiwan Corporate Sustainability Reports by Taiwan Institute for Sustainable Energy.



- HIWIN and Siemens signed a memorandum.
- Held the groundbreaking ceremony of a new factory in Chiayi Dapumei Precision Machinery Park.
- Robotic Gait Training System achieved SNQ certification and won the bronze medal of “National Biotechnology & Medical Care Quality Awards”.
- General Manager Enid Tsai won Kwol-Ting Li’s Management Award.
- Assistant General Manager Wu Yueqin was selected as Excellent Accountant.
- Executive Assistant Manager Liao Kehuang won National Manager Excellence Award.
- Executive Assistant Manager Chen Congren National Production Manager Excellence Award.
- Ranked the No.14 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.

- 2017 ● Signed a contract “Exported Litchi Cultivation Pattern and Value-Added Key Preservation Technology” with National Chung Hsing University and Taiping District Farmers’ Association.

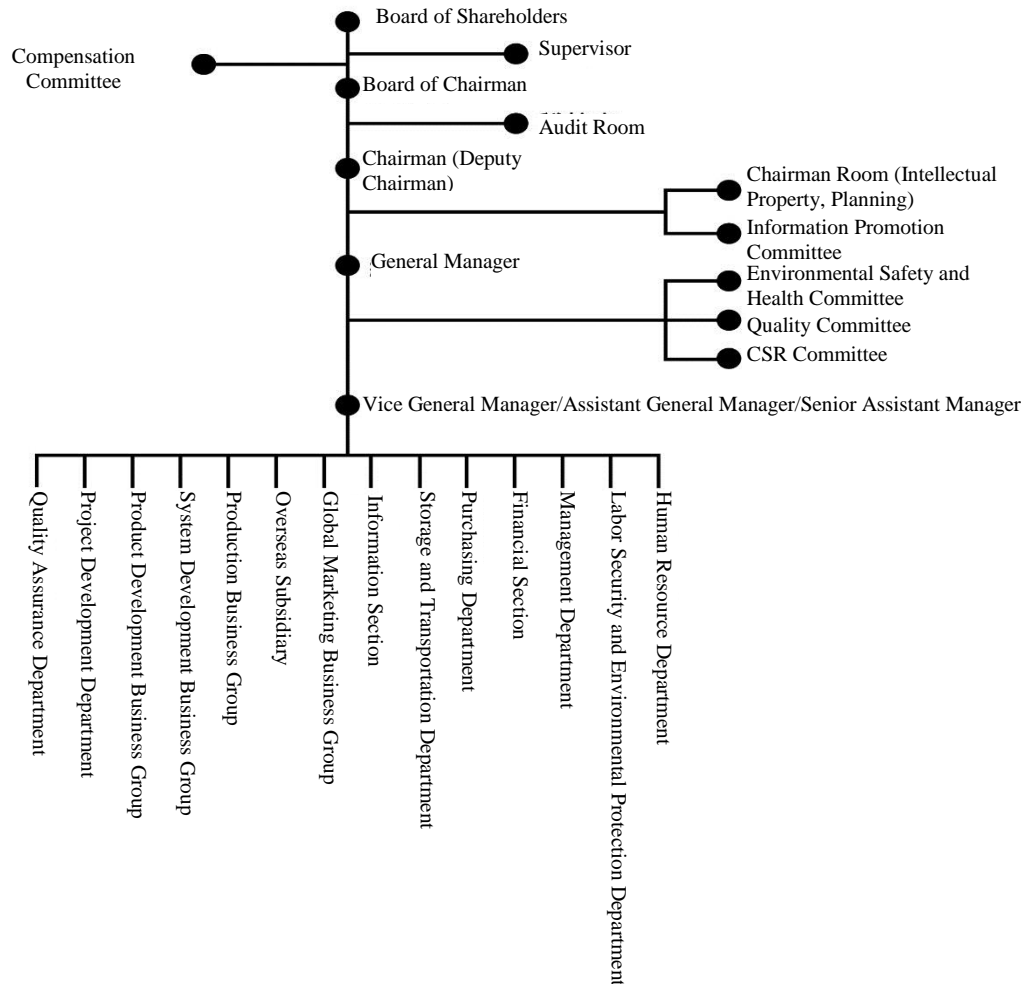


- Wafer Robot won the 25<sup>th</sup> Taiwan Excellence Silver Award.
- Ranked in the top 5 percent of listed companies in the 3<sup>rd</sup> Corporate Governance Evaluation.
- Ranked 227<sup>th</sup> in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.
- Bath spa system achieved TFDA certification
- Ranked the 5<sup>th</sup> ASIA300 index of the increased market share rate within six months

### III. Corporate Governance Report

#### i. Organization System

##### (i) Organization Chart



##### (ii) Functions of Each Main Department

- **Audit Room**  
Corporate management risk assessment and normal audit
- **Chairman Room**  
The company's business objective setting, promotion of major plans, business performance appraisal and analysis, activity planning, brand management, overseas procurement, legal management and intellectual property management
- **Human Resource Department**  
Planning, management, selection, training and retention of human resource, and educational training
- **Labor Security and Environmental Protection Department**  
Having specific responsibility for environmental protection and health, labor safety and health, and plant safety management
- **Management Department**  
Building and maintaining the general affairs management system
- **Financial Section**  
Budgeting and capital planning, financial affairs, accounting and taxation planning, and evaluation management of overseas subsidiaries reinvestment companies
- **Purchasing Department**  
Domestic procurement of production equipment and raw materials
- **Storage and Transportation Department**  
Warehouse management of raw materials, semi-finished products and finished products, and product shipping



- **Information Section**  
Information system planning, software development, safety and operation of maintenance information network system
- **Global Marketing Business Group**  
Marketing management, market survey, new product planning, market expanding and customer service
- **Overseas Subsidiary**  
Marketing management, market survey, new product planning, market expanding, customer service and product processing and manufacturing
- **Production Business Group**  
Manufacturing of products, including ball screws, linear guideway, linear bearing, special bearing and robots
- **System Development Business Group**  
Equipment development, design, assembling and maintenance, system product development and manufacturing, and plant electric system maintenance
- **Product Development Business Group**  
Research and development of new products and subsystem products, drawing design, and customers' technology consulting
- **Project Development Department**  
Research and development of major new products and equipment, and project planning and implementation
- **Quality Assurance Department**  
Product quality system building, implementation and auditing, and quality control

## ii. Information of Directors, Supervisors and Leading Managers

### (i) Information of Directors and Supervisors

April 30, 2017

Unit: shares; %

Title	Nationality or Registration Place	Name	Gender	Date of Assumption of Duty (Selection)	Term of Office	Date of Selection for the First Time	Shares Held at the Date of Selection		Shares Held Now		Shares Held Now by Spouse and Minor Children		Shares Held under the Names of Others		Main Experiences (Education Background)	Posts Held in This Company and Other Companies	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Director or Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Taiwan	Eric Y. T. Chuo	Male	June 28, 2015	3 years	Sep. 26, 1989	13,535,572	5.03%	12,773,063	4.65%	1,043,433	0.38%	-	-	Master of Management at University of San Francisco Honorary Doctor of Management at National Chung Cheng University Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Engineering at Taiwan University of Technology Honorary Doctor of Philosophy at National Tsing Hua University Honorary Doctor of Science at China Medical University	Note 1	Director	Zhuo Wenheng	Father-Son Relationship
Deputy Chairman	Taiwan	Chen Jin-tsai	Male	June 28, 2015	3 years	Dec. 3, 1989	3,902,436	1.45%	3,910,284	1.42%	2,769,288	1.01%	-	-	Master of Public Administration at University of San Francisco Master of Accounting at Tamkang University	Note 2	-	-	-
Director	Taiwan	Hui-Chin Tsai	Female	June 28, 2015	3 years	Sep. 26, 1989	4,350,649	1.62%	4,245,000	1.55%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	Note 3	-	-	-
Director	Taiwan	Li Xunqin	Male	June 28, 2015	3 years	Dec. 3, 1989	12,380,116	4.60%	12,338,678	4.49%	2,582,342	0.94%	-	-	Having a Certificate of Completion from University of California at Berkeley	Note 4	-	-	-
Director	Taiwan	Zhuo Wenheng	Male	June 28, 2015	3 years	Aug. 16, 1993	5,931,765	2.20%	5,561,860	2.02%	-	-	-	-	Master of Business Administration at Dominican University	Note 5	Chairman	Eric Y. T. Chuo	Father-Son Relationship
Director	Taiwan	Sanko Investments Limited	-	June 28, 2015	3 years	June 30, 2004	3,075,561	1.14%	3,137,072	1.14%	-	-	-	-	-	-	-	-	-

		Representative: Hunag Yousan	Male			June 25, 2007	-	-	-	-	1,028,112	0.37%	-	-	Chairman of Shengli Iron And Steel Company	-	-	-	-
Independent Director	Taiwan	Jiang Zhenghe	Male	June 28, 2015	3 years	June 24, 2008	-	-	-	-	192,576	0.07%	-	-	Master of Administration at National Chengchi University	-	-	-	-
Independent Director	Taiwan	Chen Zeyu (Note 6)	Male	June 28, 2015	3 years	June 28, 2013	-	-	-	-	-	-	-	-	Having graduated from Bank Insurance Department of Tamkang University	-	-	-	-
Independent Director	Taiwan	Chen Qinghui	Female	June 28, 2015	3 years	June 28, 2015	-	-	-	-	-	-	-	-	Having graduated from College of Management, National Taiwan University	-	-	-	-

Note 1: Chairman of this company, HIWIN America, HIWIN Germany, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN China, HIWIN Investment Corporation, HIWIN Mikrosystem Corp., Luren Precision Co., Ltd., Eterbright Solar Corporation and HIWIN Education Foundation, and supervisor of Chengda Venture Group

Note 2: Deputy chairman of this company, WIN Semiconductors Corp., Inventec Solar Energy Corporation and Kinmac Solar Corporation, director of ITEQ Corporation, independent director of Tong Hsing Electronic Industries Limited and Kinsus Interconnect Technology Corp., director of Namchow Chemical Industrial Ltd. and Namchow Chemical Industrial Co., Ltd., and supervisor of Taipei Financial Center Corporation.

Note 3: General Manager of this company, director of HIWIN America, HIWIN China, HIWIN Investment Corporation and HIWIN Education Foundation, legal representative of Luren Precision Co., and chairman of HIWIN Healthcare Corp.

Note 4: Chairman of Zhengjie Enterprise Limited, Zhenqiang Limited and Naqiang Limited., and director of Eterbright Solar Corporation.

Note 5: Executive vice president of this company, director of HIWIN America, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN Investment Corporation, Luren Precision Co. and HIWIN Education Foundation, and chairman of HIWIN Italy and HIWIN Corporate Management Company, and deputy chairman of Eterbright Solar Corporation..

Note 6: Independent Director Chen Zeyu died on Dec. 9, 2016.

## 1. Principal Shareholders of Institutional Shareholders

April 30, 2017

Name of Institutional Shareholders	Top 10 Shareholders of Sanko Investments Limited	
	Name	Shareholding Ratio
Sanko Investments Limited	Huang Jingyi	25%
	Huang Yicang	25%
	Huang Mingcang	25%
	Huang Xiaoyu	25%

## 2. Information of Directors and Supervisors

Name	Requirements	Whether work experience of over 5 years and professional qualifications below are equipped	Conformity to Independence										The number of other public companies where posts of independent directors are held by these people	
		The title ranks above lecturer in departments of commerce, law, accounting or related company business public and private universities and colleges.	Judge, procurator, lawyer, accountant or professional personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8		9
Chairman: Eric Y. T. Chuo			✓							✓		✓	✓	0
Deputy Chairman: Chen Jin-tsai			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	2
Director: Hui-Chin Tsai			✓				✓			✓	✓	✓	✓	0
Director: Li Xunqin			✓	✓			✓	✓	✓	✓	✓	✓	✓	0
Director: Zhuo WenHeng			✓							✓		✓	✓	0
Director: Legal Representative of Sanko Investments Limited: Huang Yousan			✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Independent Director: Jiang Zhenghe			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Chen Qinghui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

- (1) Not an employee of the Company or other affiliates;
- (2) Not a director or supervisor of the Company (the same does not apply if the person is an independent director of the parent company or subsidiaries where the company have over 50% voting shares directly or indirectly);
- (3) Not an individual shareholder in Top 10 Shareholders or the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs;
- (5) Not a director, supervisor, or employee of institutional shareholders having over 5% of the total issued shares or in Top 5 Shareholders;
- (6) Not a director, supervisor, manager or shareholder having 5% of the shares of the specified company or agency that have financial transaction or business contact with the company;

- (7)Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance and accounting for the Company or its affiliates. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8)Not the spouse or a relative within the second degree of kinship of any other director of the Company.
- (9)Not being involved in any of the situations set forth in Article 30 of the Company Act.
- (10)Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(ii) **Information of General Manager and Vice General Managers, Assistant Managers, and Directors of Departments and Branches**

April 30, 2017

Title	Nationality or Registration Place	Name	Gender	Date of Assumption of Duty (Selection)	Shares Held		Shares Held Now by Spouse and Minor Children		Shares Held under the Names of Others		Main Experiences (Education Background)	Posts Held in Other Companies Now	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Manager		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman and CEO	Taiwan	Eric Y. T. Chuo	Male	Dec. 28, 2011	12,773,063	4.65%	1,043,433	0.38%	-	-	Master of Management at University of San Francisco Honorary Doctor of Management at National Chung Cheng University Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Engineering at Taiwan University of Technology Honorary Doctor of Philosophy at National Tsing Hua University Honorary Doctor of Science at China Medical University	Note 1	Executive Vice General Manager	Zhuo Wenheng	Father-Son Relationship
General Manager	Taiwan	Hui-Chin Tsai	Female	July 1, 2008	4,245,000	1.55%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	Note 2	-	-	-
Executive Vice General Manager of Chairman Room	Taiwan	Lin Mingyao	Male	Jan. 1, 2012	-	-	-	-	-	-	Master of Mechanics at Taiwan University of Technology Master of Business Administration at Tulane University	Note 3	-	-	-
Executive Vice General Manager of Chairman Room	Taiwan	Zhuo Wenheng	Male	Feb. 1, 2015	5,561,860	2.02%	-	-	-	-	Master of Business Administration at Dominican University	Note 4	Chairman	Eric Y. T. Chuo	Father-Son Relationship
Senior Vice General Manager of Marketing Business Group	Taiwan	Yang Shengzhi	Male	Jan. 1, 2008	116,168	0.04%	197	0.00%	-	-	Master of Business Administration at Drexel University	Note 5	-	-	-
Vice General Manager of Chairman Room	Taiwan	Song Xiande	Male	May 13, 2013	-	-	-	-	-	-	Graduate of National Taipei University of Technology	Note 6	-	-	-
Vice General Manager of Marketing Business Group	Taiwan	Peng Yanqi	Female	Feb. 1, 2015	4,457	0.00%	-	-	-	-	Master of Information Engineering at University of Southern California	Note 7	-	-	-
Vice General Manager of Financial Section	Taiwan	Lin Yifeng	Female	Sep. 1, 2016	391,332	0.14%	-	-	-	-	Master of Business Administration at Dominican University	Note 8	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Qu Yueling	Male	Feb. 1, 2015	40,957	0.01%	13,528	0.00%	-	-	Doctor at Institute of Aerospace of National Cheng Kung University	-	-	-	-
Executive Assistant Manager of Financial Section	Taiwan	Liao Kehuang	Male	Aug. 1, 2016	29,985	0.01%	-	-	-	-	Master at Accounting Institute of National Chung Hsing University	Note 9	-	-	-

Assistant Manager of Business Department	Taiwan	Zhang Kunyao	Male	April 1, 2007	3,012	0.00%	-	-	-	-	Master of Mechanics at University of Southern California	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	Jiang Mingjun	Male	Jan. 6, 2008	66,923	0.02%	26,463	0.01%	-	-	Bachelor of Mechanics at Chung Cheng Institute of Technology	-	-	-	-
Assistant Manager of Marketing Business Group	Taiwan	Deng Honggun	Male	Nov. 1, 2009	-	-	-	-	-	-	Master of Management at I-Shou University	Note 10	-	-	-
Assistant Manager of Chairman Room	Taiwan	Qiu Shirong	Male	July, 1, 2011	19,679	0.01%	4,439,128	1.62%	-	-	Master of Business Administration at University of Massachusetts	Note 11	-	-	-
Assistant Manager of System Development Section	Taiwan	Wang Fuqing	Male	July, 1, 2011	65,952	0.02%	-	-	-	-	Doctor of Mechanics at National Chung Cheng University	-	-	-	-
Assistant General Manager of Financial Section	Taiwan	Wu Yueqin	Female	Aug. 1, 2016	254,784	0.09%	-	-	-	-	Master of Business Administration at Feng Chia University	Note 12	-	-	-
Assistant Manager of Quality Assurance Department	Taiwan	Wu Junliang	Male	Aug. 1, 2012	34,425	0.01%	-	-	-	-	Master of Engineering at National Tsing Hua University	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	Chen Xiulian	Female	Nov. 16, 2014	6,264	0.00%	-	-	-	-	Master of Management at Dominican University	Note 13	-	-	-
Assistant Manager of Production Business Group	Taiwan	Li Wenbin	Male	Feb. 1, 2015	5,702	0.00%	-	-	-	-	Mechanics Institute at Feng Chia University	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	He Youheng	Male	Feb. 1, 2015	-	-	-	-	-	-	Bachelor of Mechanics of National Taipei University of Technology	Note 14	-	-	-
Assistant Manager of Information Section	Taiwan	Zhang Yongmin g	Male	March 26, 2016	-	-	-	-	-	-	Master at Information Engineering Institute of Tunghai University	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	Yang Chuangbao	Male	March 26, 2016	2,020	0.00%	21	0.00%	-	-	Master at Mechanics Institute of National Chung Hsing University	Note 15	-	-	-
Assistant Manager of Project Development Department	Taiwan	Zeng Jinyuan	Male	Aug. 1, 2016	-	-	-	-	-	-	Bachelor of Automatic Control Engineering of Feng Chia University	-	-	-	-
Assistant Manager of Production Business Group	Taiwan	Chen Congren	Male	Nov. 24, 2016	9,408	0.00%	3,020	0.00%	-	-	Master at Mechanics Institute of National Central University	-	-	-	-

Note 1: Chairman of this Company, HIWIN America, HIWIN Germany, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN China, HIWIN Investment Corporation, HIWIN Mikrosystem Corp. and Luren Precision Co., Ltd., Eterbright Solar Corporation and HIWIN Education Foundation, and supervisor of Chengda Venture Group.

Note 2: General Manager of this Company, director of HIWIN America, HIWIN China, HIWIN Investment Corporation and HIWIN Education Foundation, legal representative of and Luren Precision Co., Ltd., and Chairman of HIWIN Healthcare Corp.

Note 3: Lin Mingyao was relieved of duty on April 14, 2017.

Note 4: Executive Vice General Manager of this Company, director of HIWIN America, HIWIN Japan, HIWIN Singapore, HIWIN South Korea, HIWIN Investment Corporation, Luren Precision Co., Ltd. and HIWIN Education Foundation, chairman of HIWIN Italy and HIWIN Corporate Management Company, and deputy chairman of Eterbright Solar Corporation.

Note 5: General Manager of HIWIN South Korea.

Note 6: Legal representative of Luren Precision Co., Ltd.

Note 7: General Manager of HIWIN China.

Note 8: Supervisor of HIWIN Japan, HIWIN South Korea and HIWIN China.

Note 9: Supervisor of Eterbright Solar Corporation.

Note 10: Deng Hongqun was relieved of duty on Sep. 20, 2016.

Note 11: General Manager of HIWIN America.

Note 12: Legal representative and supervisor of HIWIN Mikrosystem Corp. and Eterbright Solar Corporation, and director of HIWIN Education Foundation.

Note 13: Chen Zhizhong was relieved of duty on May 15, 2015.

Note 14: He Youheng was relieved of duty on May 9, 2016.



### (iii) Remunerations of Directors, Supervisors and Leading Managers in the Past Year

#### 1. Remunerations of Directors (Including Independent Directors)

Unit: NT\$ 1000

Title	Name	Directors' Remuneration								Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note 4)
		Remuneration (A)		Pension (B)		董事酬劳(C)		Business Affairs Expense (D) (Note 1)				Salary, Bonus and Special Disbursement (E) (Note 2)		Pension (F)		Employee remuneration (G) (Note 3)						
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company		All Companies in the Financial Report		This Company	All Companies in the Financial Report	
Chairman	Eric Y. T. Chuo	-	-	-	-	10,693	10,693	14,031	14,865	1.86%	1.93%	17,611	17,611	-	-	1,865	-	1,865	-	3.33%	3.39%	10,957
Deputy Chairman	Chen Jin-tsai	-	-	-	-	28,514	28,514	1,013	1,023	2.23%	2.23%	25,865	25,865	182	182	2,617	-	2,617	-	4.39%	4.39%	-
Director	Hui-Chin Tsai																					
Director	Li Xunqin																					
Director	Zhuo Wenheng																					
Director	Representative of Sanko Investments Limited: Huang Yousan (Note 5)																					
Independent Director	Jiang Zhenghe																					
Independent Director	Chen Zeyu (Note 6)																					
Independent Director	Chen Qinghui (Note 7)																					

Note 1: It includes the company car costs (NT\$ 13. 619 million) and excludes annual salaries of drivers (NT\$ 989, 000).

Note 2: It includes the company car costs NT\$ 8.534 million and excludes annual salaries of drivers (NT\$ 916, 000).

Note 3: The employee remuneration list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 4: Remuneration of Chairman Eric Y. T. Chuo as Chairman of HIWIN Mikrosystem Corp.

Note 5: Sanko Investments Limited became the director on June 28, 2016.

Note 6: Independent Director Chen Zeyu died on Dec. 9, 2016.

Note 7: Independent Director Chen Qinghui assumed her post on June 28, 2016.

## Remuneration Notch Table

Notch of Remunerations of Directors of This Company	Name of Directors			
	The Total Remuneration (A+B+C+D)		The Total Remuneration (A+B+C+D+E+F+G)	
	This Company	All Companies in the Financial Report	This Company	All Reinvestment Businesses of This Company
Below NT\$ 2,000,000	Representatives of Sanko Investments Limited: Huang Yousan, Chen Qinghui	Representatives of Sanko Investments Limited: Huang Yousan, Chen Qinghui	Representatives of Sanko Investments Limited: Huang Yousan, Chen Qinghui	Representatives of Sanko Investments Limited: Huang Yousan, Chen Qinghui
NT\$ 2,000,000 (Including) ~NT\$ 5,000,000 (Excluding)	Li Xunqin, Hui-Chin Tsai, Zhuo Wenheng, Jiang Zhenghe, Chen Zeyu	Li Xunqin, Hui-Chin Tsai, Zhuo Wenheng, Jiang Zhenghe, Chen Zeyu	Li Xunqin, Jiang Zhenghe, Chen Zeyu	Li Xunqin, Jiang Zhenghe, Chen Zeyu
NT\$ 5,000,000 (Including) ~NT\$ 10,000,000 (Excluding)	Chen Jin-tsai	Chen Jin-tsai	Chen Jin-tsai	Chen Jin-tsai
NT\$ 10,000,000 (Including) ~NT\$ 15,000,000 (Excluding)			Zhuo Wenheng	Zhuo Wenheng
NT\$ 15,000,000 (Including) ~NT\$ 30,000,000 (Excluding)	Eric Y. T. Chuo	Eric Y. T. Chuo	Hui-Chin Tsai	Hui-Chin Tsai
NT\$ 30,000,000 (Including) ~NT\$ 50,000,000 (Excluding)			Eric Y. T. Chuo	
NT\$ 50,000,000 (Including) ~NT\$ 100,000,000 (Excluding)				Eric Y. T. Chuo
Above NT\$ 100,000,000				
Total	9	9	9	9

## 2. Remuneration of Supervisors

Unit: NT\$ 1000

Title	Name	Remuneration of Supervisors						Ratio of the Total Remuneration (A+B+C) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary
		Remuneration (A)		Bonus (B)		Business Affairs Expense (C)				
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	
Supervisor	Representative of Sanko Investments Limited: Hunag Yousan	0	0	3,564	3,564	120	120	0.28%	0.28%	None
Supervisor	Zhang Liangji									

Note: this company established the audit committee on June 28, 2016 and the supervisor was relieved of duty.

## Remuneration Notch Table

Notch of Remunerations of Supervisors of This Company	Name of Supervisors	
	The Total Remuneration (A+B+C)	
	This Company	All Companies in the Financial Report (D)
Below NT\$ 2,000,000	Representatives of Sanko Investments Limited: Hunag Yousan, Zhang Liangji	Representatives of Sanko Investments Limited: Hunag Yousan, Zhang Liangji
2,000,000 (Including) ~ 5,000,000 (Excluding)		
5,000,000 (Including) ~ 10,000,000 (Excluding)		
10,000,000 (Including) ~ 15,000,000 (Excluding)		
15,000,000 (Including) ~ 30,000,000 (Excluding)		
30,000,000 (Including) ~ 50,000,000 (Excluding)		
50,000,000 (Including) ~ 100,000,000 (Excluding)		
Above NT\$ 100,000,000		
Total	2	2

### 3. Remuneration of CEO, General Managers and Vice General Managers

Unit: NT\$ 1000

Title	Name	Remuneration (A)		Pension (B)		Bonus and Special Disbursement (C) (Note: 1)		Employee remuneration (D) (Note: 2)				Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note: 3)
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company		All Companies in the Financial Report		This Company	All Companies in the Financial Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
Chairman and CEO	Eric Y. T. Chuo	33,994	36,210	721	721	45,693	45,946	9,225	-	9,225	-	6.76%	6.94%	10,957
General Manager	Hui-Chin Tsai													
Executive Vice General Manager of Chairman Room (Note 4)	Lin Mingyao													
Executive Vice General Manager of Chairman Room	Zhuo Wenheng													
Senior Vice General Manager of Marketing Business Group	Yang Shengzhi													
Vice General Manager of Marketing Business Group	Peng Yanqi													
Vice General Manager of Chairman Room	Song Xiande													
Vice General Manager of Financial Section	Lin Yifeng													
Assistant General Manager of Chairman Room	Qu Yueling													
Assistant General Manager of Financial Section (Note: 5)	Wu Yueqin													

Note 1: It includes the company car costs (NT\$ 15. 836 million) and excludes annual salaries of drivers (NT\$ 916, 000).

Note 2: Employee remunerations were NT\$ 85. 543 million in 2016, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Remuneration of Chairman Eric Y. T. Chuo as Chairman of HIWIN Mikrosystem Corp.

Note 4: Lin Mingyao was relieved of duty on April 14, 2017, and assigned the General Manager of Eterbright Solar Corporation

Note 5: Wu Yueqin, Assistant General Manager of Financial Section, assumed her post on Aug. 1, 2016.

## Remuneration Notch Table

Notch of Remunerations of General Managers and Vice General Managers	Name of General Managers and Vice General Managers	
	This Company	All Reinvestment Businesses of This Company
Below NT\$ 2,000,000		
2,000,000 (Including) ~5,000,000 (Excluding)	Qu Yueling, Wu Yueqin	Qu Yueling, Wu Yueqin
5,000,000 (Including) ~10,000,000 (Excluding)	Lin Mingyao, Yang Shengzhi, Peng Yanqi, Song Xiande, Lin Yifeng	Lin Mingyao, Yang Shengzhi, Song Xiande, Lin Yifeng
10,000,000 (Including) ~15,000,000 (Excluding)	Zhuo Wenheng	Zhuo Wenheng, Peng Yanqi
15,000,000 (Including) ~30,000,000 (Excluding)	Eric Y. T. Chuo, Hui-Chin Tsai	Hui-Chin Tsai
30,000,000 (Including) ~50,000,000 (Excluding)		Eric Y. T. Chuo
50,000,000 (Including) ~100,000,000 (Excluding)		
Above NT\$ 100,000,000		
Total	10	10

#### 4. Name of Managers Distributing Employee remunerations and Distribution Status

April 30, 2017

Unit: NT\$ 1000

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to to Net Profit After Tax (%)
Managers	Chairman and CEO	Eric Y. T. Chuo	-	14,576	14,576	1.10%
	General Manager	Hui-Chin Tsai				
	Executive Vice General Manager of Chairman Room (Note 2)	Lin Mingyao				
	Executive Vice General Manager of Chairman Room	Zhuo Wenheng				
	Senior Vice General Manager of Marketing Business Group	Yang Shengzhi				
	Vice General Manager of Marketing Business Group	Peng Yanqi				
	Vice General Manager of Chairman Room	Song Xiande				
	Vice General Manager of Financial Section	Lin Yifeng				
	Assistant General Manager of Chairman Room	Qu Yueling				
	Assistant Manager of Production Business Group	Jiang Mingjun				
	Assistant Manager of Business Department	Zhang Kunyao				
	Assistant Manager of Marketing Business Group (Note 3)	Deng Hongqun				
	Assistant Manager of Chairman Room	Qiu Shirong				
	Assistant Manager of System Development Section	Wang Fuqing				
	Assistant Manager of Financial Section	Wu Yueqin				
	Assistant Manager of Quality Assurance Department	Wu Junliang				
	Executive Assistant Manager of Financial Department	Liao Kehuang				
	Assistant Manager of Chairman Room (Note 4)	Chen Xiulian				
	Assistant Manager of Production Business Group	Li Wenbin				
	Assistant Manager of Chairman Room (Note: 5)	He Youheng				
	Assistant Manager of Information Department (Note: 6)	Zhang Yongming				
	Assistant Manager of Chairman Room (Note: 6)	Yang Chuangbao				



	Assistant Manager of Project Development Department (Note 7)	Zeng Jinyuan				
	Assistant Manager of Production Business Group (Note 8)	Chen Congren				

Note 1: Employee remunerations were NT\$ 85.543 million in 2016, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 2: Lin Mingyao was relieved of duty on April 14, 2017 and assigned the General Manager of Eterbright Solar Corporation

Note 3: Deng Hongqun was relieved of duty on Sep. 20, 2016.

Note 4: Chen Xiulian was relieved of duty on April 30, 2017.

Note 5: He Youheng was relieved of duty on May 9, 2016.

Note 6: Zhang Yongming and Yang Chuangbao assumed their posts on March 26, 2016.

Note 7: Zeng Jinyuan assumed his post on Aug. 10, 2016.

Note 8: Chen Congren assumed his post on Nov. 24, 2016.

**(iv) Analysis of the Ratio of the Total Remuneration Given to Directors, Supervisors, General Managers and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report, and Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, and Business Performance and Future Risk**

**1. Analysis of the Ratio of the Total Remuneration Given to Directors, Supervisors, General Managers and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report**

Title \ Item	Ratio of the Total Remuneration to the Net Profit After Tax			
	2016		2015	
	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report
Director	7.72%	7.78%	6.96%	6.96%
Supervisor	0.28%	0.28%	0.64%	0.64%
CEO, General Manager and Vice General Manager	6.76%	6.94%	5.32%	5.49%

Note: 1. The net profit after tax belonging to the parent company was NT\$ 1,326,815 thousand in 2016.

2. The net profit after tax belonging to the parent company was NT\$ 1,642,238 thousand in 2015.

- (1) This Company's board of directors passed the distribution resolution of remunerations of employees, directors and supervisors for 2106 on March 22, 2017 (NT\$ 85,543,000 for employees and NT\$ 42,771,000 for directors and supervisors, accounting for 6.45% and 3.22% respectively of the net income after tax in 2016); the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so this was a tentative estimation.

(2)The total remunerations of directors include those for the posts they're holding concurrently, so some of the total remunerations of CEO, general managers and vice general managers are calculated repetitively.

2. Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, and Business Performance and Future Risk

According to rules of this Company, from the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to cover previous losses, if any, shall be first withheld, then 10% for legal reserve, and then for special reserve as required by law, and less than 6% (including) for dividends. For the final surplus, if any, the board of directors shall make a dividend distribution proposal based on the company's earnings performance, expansion plan, profitability and the capital adequacy ratio, and submit it to the board of shareholders; remunerations and salaries of CEO, general managers, vice general managers and employees are paid in accordance with manager's remuneration distribution method passed by the board of directors.

According to the amendment of the company law in May, 2015, the dividend and bonus distribution is subject to shareholders and employees are not entitled to surplus distribution. Therefore, this company proposed amending the company articles in the board meeting on Nov. 10, 2015 and the amendment is expected to be decided in the general meeting of shareholders on June 28, 2016.

### iii. Implementation of Corporate Governance

#### (i) The Operation of Board of Directors

1. The Board of Directors held 8 meetings (A) in 2016. The attendance of directors is listed as follows:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Chairman	Eric Y. T. Chuo	7	1	87.5%	Serving consecutive terms
Deputy Chairman	Chen Jin-tsai	6	2	75.0%	Serving consecutive terms
Director	Li Xunqin	5	3	62.5%	Serving consecutive terms
Director	Zhuo Wenheng	8	0	100.0%	Serving consecutive terms
Director	Hui-Chin Tsai	7	1	87.5%	Serving consecutive terms
Director	Representative of Sanko Investments Limited: Hunag Yousan	3	2	60.0%	Becoming director from supervisor
Independent Director	Jiang Zhenghe	8	0	100.0%	Serving consecutive terms
Independent Director	Chen Zeyu	8	0	100.0%	Serving consecutive terms
Independent Director	Chen Qinghui	5	0	100.0%	The new independent director should attend 5 times.

Note: Shareholders' regular meeting changed directors on June 28, 2016 (including 3 independent directors).

Other Essential Information:

(1) For all items listed in Item 3, Clause 14 of the Securities and Exchange Act, as well as objections or reservations from the independent directors with regards to items discussed in the board meeting that are also documented or stated, the date, term, content of the motion, opinions of all independent directors and how the company responded to these opinions shall be stated clearly:

Board of Directors	Motion Content and Handling	Items listed in Item 3, Clause 14 of the Securities and Exchange Act	Objections or Reservations from the Independent Directors
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	The 23 <sup>rd</sup> session of the 9 <sup>th</sup> meeting June 17, 2016	Loaning to HULKet	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 2 <sup>nd</sup> session of the 10 <sup>th</sup> meeting Aug. 10, 2016	2. Making the first-half combined financial statement 2016	V	
		3. Endorsement for HIWIN Singapore	V	
		4. Capital increase for HIWIN South Korea	V	
		5. Capital increase and decrease for HIWIN Japan	V	
		6. Loaning to HIWIN Italy	V	
		7. Revising Internal Control System Management Rules	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 3 <sup>rd</sup> session of the 10 <sup>th</sup> meeting Aug. 30, 2016	Strategic alliance with Etron and Shin Kong Security Co. Ltd.	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 4 <sup>th</sup> session of the 10 <sup>th</sup> meeting Nov. 8, 2016	1. Making the third-quarter combined financial statement 2016	V	
		2. Factory building phase I in Chiayi Dapumei Precision Machinery Park	V	
		3. Capital increase for and loaning to Eterbright Solar Corporation	V	
		4. Capital increase for and loaning to HIWIN Italy	V	
		5. Endorsement for HIWIN South Korea	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 5 <sup>th</sup> session of the 10 <sup>th</sup> meeting Nov. 24, 2016	Signing a memorandum with Siemens Taiwan	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 7 <sup>th</sup> session of the	1. Evaluating the independence of CPAs	V	
		2. Making the annual financial statement 2016	V	

	10 <sup>th</sup> meeting March 22, 2017	3. Making the annual business report 2016	V	
		4. Making Internal Control System Statement 2016	V	
		5. Drawing up the appropriations of earnings for 2016	V	
		6. The issuance of new shares for capital increase out of earnings	V	
		7. Planning to amend “Procedures Governing the Acquisition or Disposal of Assets”	V	
		8. Endorsement for HIWIN Singapore	V	
		9. Loaning to HIWIN Italy	V	
		10. Planning to Purchase equity of HIWIN Italy from HIWIN Germany	V	
		11. Capital increase and decrease for and loaning to HIWIN Japan	V	
		12. Water-power engineering for Factory building phase I in Chiayi Dapumei Precision Machinery Park	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		
	The 8 <sup>th</sup> session of the 10 <sup>th</sup> meeting May 8, 2017	1. Making the first-quarter combined financial statement 2017	V	
		2. Endorsement for Eterbright Solar Corporation	V	
		3. Loaning to subsidiaries	V	
		Opinions of independent directors: none		
		How the company responded to these opinions: not applicable		
		Result: all directors present agreed to pass the motion.		

(2) For the implementation of the directors’ avoidance from motions involving personal interests, directors’ names, the content of the motion, reasons for avoidance and the voting participation should be stated clearly: None

(3) Evaluation of completion of goals set to strengthen the functions of the board of directors (for example, establishing the Audit Committee and increasing information transparency) in this and the last fiscal years:

①. Goals set to strengthen the functions of the board of directors

The company’s board of directors set rules of procedure for board meetings according to “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, and established the compensation committee and create organizational laws according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”. It decided to established the audit committee and set relevant organizational rules on May 10, 2016 to perfect corporate governance and professional functions of the board of directors.

②. Execution evaluation

It established the audit committee after selecting independent directors in the shareholders’ regular meeting on June 28, 2016. It supports information transparency and publishes important resolutions of the board of directors on its website for investors to see; it convenes 3 investor conferences irregularly every year for investors to obtain related information of the company to increase their recognition of the company. The compensation committee and audit committee operated smoothly in 2016.

**(ii) The Operation of the Audit Committee or Supervisors' Participation in the Operation of Board of Directors:**

1. The Operation of the Audit Committee:

The company selected 3 independent directors in the shareholders' regular meeting on June 28, 2016 and established the audit committee to replace supervisors according to Securities Exchange Act. The audit committee held 2 meetings (A) in 2016 and the attendance of independent directors is listed as follows:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Independent Director	Jiang Zhenghe	2	0	100%	
Independent Director	Chen Zeyu	2	0	100%	
Independent Director	Chen Qinghui	2	0	100%	

Other Essential Information:

- I. For all items listed in Item 5, Clause 14 of the Securities and Exchange Act, as well as motions not adopted by the audit committee but agreed upon by over 2/3 of all the directors, the date, term, content of the motions, decisions of the audit committee and how the company responded to the opinions of the audit committee shall be stated clearly:

Board of Directors	Motion Content and Handling	Items listed in Item 5, Clause 14 of the Securities and Exchange Act	Motions Not Adopted by the Audit Committee but Agreed Upon by Over 2/3 of All the Directors
The 2 <sup>nd</sup> session of the 10 <sup>th</sup> meeting Aug. 10, 2016	1. Making the first-half combined financial statement 2016	V	
	2. Endorsement for HIWIN Singapore	V	
	3. Capital increase for HIWIN South Korea	V	
	4. Capital increase and decrease for HIWIN Japan	V	
	5. Loaning to HIWIN Italy	V	
	6. Revising Internal Control System Management Rules	V	
	The audit committee's resolution (Aug. 10, 2016): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 4 <sup>th</sup>	1. Factory building phase I in Chiayi Dapumei	V	

session of the 10 <sup>th</sup> meeting Nov. 8, 2016	Precision Machinery Park		
	2. Capital increase for and loaning to Eterbright Solar Corporation	V	
	3. EUR 2 milion increase in capital for and loaning to HIWIN Italy	V	
	4. Endorsement for HIWIN South Korea	V	
	The audit committee’s resolution (Nov. 8, 2016): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 7 <sup>th</sup> session of the 10 <sup>th</sup> meeting March 22, 2017	1. Evaluating the independence of CPAs	V	
	2. Making the annual financial statement 2016	V	
	3. Making the annual business report 2016	V	
	4. Making Internal Control System Statement 2016	V	
	5. Drawing up the appropriations of earnings for 2016	V	
	6. The issuance of new shares for capital increase out of earnings	V	
	7. Planning to amend “Procedures Governing the Acquisition or Disposal of Assets”	V	
	8. Endorsement for HIWIN Singapore	V	
	9. Loaning to HIWIN Italy	V	
	10. Planning to Purchase equity of HIWIN Italy from HIWIN Germany	V	
	11. Capital increase and decrease for and loaning to HIWIN Japan	V	
	12. Water-power engineering for Factory building phase I in Chiayi Dapumei Precision Machinery Park	V	
	The audit committee’s resolution (March 22, 2017): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		
The 8 <sup>th</sup> session of the 10 <sup>th</sup> meeting May 8, 2017	1. Passed endorsement for Eterbright Solar Corporation	V	
	2. Passed loans to subsidiaries	V	
	The audit committee’s resolution (May 8, 2017): all members agreed to pass the motions.		
	How the company responded to the opinions of the audit committee: all directors present agreed to pass the motions.		

II. For the implementation of the directors’ avoidance from motions involving personal interests, directors’ names, the content of the motion, reasons for avoidance and the voting participation should be stated clearly: None

III. Communication between independent directors and internal audit supervisors and accountants (it should include communication about corporate finance and business status, and way and results of such communication):

- (i) The internal audit department submits audit reports irregularly to independent directors, and the audit supervisor also reports great discoveries to board members in the board meeting.
- (ii) CPAs communicate quarterly with the audit committee in written form or face to face about checking or reviewing management and information collection of the company's consolidated statements (including individual financial statements) in the planning stage and the completion stage, according to "Communication of Audit Matters with Those Charged with Governance" of No. 39 Statement of Auditing Standards and TCZL Rule No. 0930105373 published by Securities and Futures Bureau on March 11, 2004.

## 2. Supervisors' Participation in the Operation of Board of Directors

Before the company established the audit committee on June 28, 2016 to replace supervisors, the Board of Directors held 3 meetings (A) in 2016, after which the supervisors were relieved of their duties. The attendance of supervisors is listed as follows:

Title	Name	Number of Meetings Attended Personally (B)	Personal Attendance Rate (%) (B/A)	Remarks
Supervisor	Representative of Sanko Investments Limited: Hunag Yousan	2	66.7%	
Supervisor	Zhang Liangji	2	66.7%	

Note: the supervisors were relieved of their duties after the shareholders' regular meeting established the audit committee on June 28, 2016.

Other Essential Information:

### I. Composition and Responsibility of Supervisors:

- (i) Communication between supervisors and the company's employees and shareholders (for example, communication channels and means):

As this company notifies supervisors to be present in every shareholder meeting, shareholders and employees can communicate with supervisors at the shareholder meeting.

- (ii). Communication between supervisors and internal audit supervisors and accountants (for example, communications about corporate finance and business status, and way and results of such communications):

To make the company's supervisors know the operational risks and improvement in real time, this company has established the internal control system and management methods which accord with "Regulations Governing Establishment of Internal Control Systems by Public Companies"; to ensure the effective implementation of the internal control system, it sets an audit department directly under the board of directors; this department makes audit plans according to regulations of competent authorities, present them in Director's Report after audit and send the audit results and improvement to supervisors, so supervisors can know the operational risks and improvement in real time; supervisors and accountants can communicate with each other as needed at ordinary times, and apart from that, accountants can communicate with supervisors by attending board meetings.

II. If a supervisor attending the board meeting made any statement, the date, term, content of the motion, board resolution and how the company responded to the statement of the supervisor shall be stated clearly: none

## (iii) Implementation of Corporate Governance and its Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes





Evaluation Items	Implementation			Difference s f r o m Corporate Governanc e B e s t Practice Principles f o r TWSE/GT SM Listed Companies and the C a u s e s
	Yes	No	Abstract	
			(4) The Company Corporate has CPAs respond to “Independence Evaluation Questionnaire” annually according to Governance Best Practice Principles for TWSE/GTSM Listed Companies and the board evaluates the independence of CPAs regularly (Note); CPAs of the Company don’t hold director or independent director positions in the Company, or have direct or indirect financial interest, and they’re not shareholders of the Company, so they’re undoubtedly independent.	
4. Do TWSE/GTSM Listed Companies set a special unit or person for corporate governance to be in charge of related matters of corporate governance (including but not limited to providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders’ meeting according to law, registering the company and changing the registration, and taking minutes in the oboard meeting and shareholders’ meeting)?	V		The company sets a corporate governance group, constituted by the financial section, and its main responsibilities are listed as follows: 1. Providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders’ meeting according to law, registering the company and changing the registration, and taking minutes in the oboard meeting and shareholders’ meeting. 2. Asking the opinion of directors before the board meeting to plan and lay out the agenda, informing all directors to be present at least 7 days before the meeting, and providing data related to the meeting to make them know the content of related issues beforehand. 3. Registering the date of the shareholders’ meetings every year before the time limit prescribed by law, making and declaring the meeting notice, agenda and minute book according to law, and changing registration after regulations are revised and directors are changed.	None
5. Does the company establish a communication channel and build a designated section on its website for interested parties, and handle all the issues they care for in terms of corporate social responsibilities?	V		(1) The Company instructs related departments to communicate with interested parties as required and there is an “Area for Interested Parties” on the corporate website for customers, suppliers, media and employees to contact the Company. In addition, it has also established a spokesperson system, so there’s a person responsible for dealing with related issues of legal persons and investors. (2) The “Area for Interested Parties” on the corporate website provides a questionnaire for interested parties to give suggestions or put questions and the important social responsibility issue they’re deeply concerned about must be responded to appropriately.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		This Company usually entrusts related affairs of the board of shareholders to professional stock affairs agencies and it authorizes Yuanta Securities to do the job this year.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other	V  V		(1) The Company has disclosed information regarding the Company’s financials and corporate governance status, and declares related information using the path appointed by the financial management bureau on time according to relevant provisions. (2) Our Company has a dedicated department for collecting related information to post them on its English- language	None

Evaluation Items	Implementation			Difference s f r o m Corporate Governanc e B e s t Practice Principles f o r TWSE/GT SM Listed Companies and the C a u s e s								
	Yes	No	Abstract									
information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			website and it also has a spokesperson system, so there’s a person responsible for dealing with related issues of legal persons and investors.It convenes 3 investor conferences irregularly every year and announces the information and videos of the conferences on the company website and Market Observation Post System in accordance with the regulations.									
8. Does the Company have other important information that is helpful for understanding the status of corporate governance?												
(1) Operational Performance: To implement corporate governance, in addition to setting an effective internal control system and conducting self-inspection, the Company has independent directors to increase the practical experience of the team using their professional experience so as to strengthen the board functions, safeguard stockholders’ equity and improve information transparency; on the other hand, it has established the public information reporting procedure so that shareholders and interested parties can know its financial and business standing and status of corporate governance well. Moreover, to strengthen corporate governance, besides strengthening the Chinese and English websites so that investors can know the company information in real time, the Company has established a platform for interested parties for them to give feedbacks in real time so that it can handle them quickly for improvement; it entered top 5% of the listed companies in the second and third Corporate Governance Ratings. Besides, it also ranked the No.14 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.												
(2)About information of expenditure on environmental protection, and labor relations (employee equity and care): Please read Sections iv and v in Chapter V.												
(3) Investor Relations Treating all shareholders with the principle of being fair and open, the Company convenes shareholders’ meetings every years according to the corporate law and relevant regulations, notifies shareholders to be present in such meetings according to relevant provisions, gives them chances of asking questions or making proposals to achieve balance, makes meeting rules of procedure for such meetings according to law, keeps meeting minutes appropriately and discloses related data on the public information observation station; besides, to ensure that its shareholders have the right to know, participate in and decide the big issues, apart from disclosing major information in real time and publishing important information in both Chinese and English, it has established posts of the spokesperson and deputy spokesperson to handle shareholders’ suggestions and doubts and respond to questions of legal persons and investors to make them know its business results and state of operation better.												
(4)Respect equities of interested parties: The Company discloses the company information honestly according to law to safeguard basic rights and interests of investors, keeps channels of communication open with the correspondent bank, employees, consumers and suppliers and sets an “Area for Interested Parties” on the corporate website for interested parties to contact it in real time. It respects and safeguards their legitimate interests. It has an argon mailbox (communication channel with the chairman), a hope mailbox (communication platform with general managers) and a help mailbox (feedback platform for human resources) to encourage colleagues to express their opinions and report violations, which facilitates its organic growth and development.												
(5)Strengthen corporate governance and safeguard investors’ rights and interests: To reduce risks and spread risks of major damages to the Company and its shareholders caused by directors, supervisors and managers due to mistakes or negligence, the Company has stipulated in Article 25 of Articles of the Company that it shall buy insurance for directors’ and supervisors’ liability for damage in their service execution scope during their term in office; it bought Directors and Supervisors Liability Insurance as of March 22, 2017:												
<table><tr><td>Insured Object</td><td>Insurance Company</td><td>Insured Amount</td><td>Insurance Period</td></tr><tr><td>All Directors and Supervisors</td><td>ACE Insurance</td><td>5 million dollars (about NT\$ 155,000,000)</td><td>March 27, 2017~ March 26, 2018</td></tr></table>					Insured Object	Insurance Company	Insured Amount	Insurance Period	All Directors and Supervisors	ACE Insurance	5 million dollars (about NT\$ 155,000,000)	March 27, 2017~ March 26, 2018
Insured Object	Insurance Company	Insured Amount	Insurance Period									
All Directors and Supervisors	ACE Insurance	5 million dollars (about NT\$ 155,000,000)	March 27, 2017~ March 26, 2018									
(6) Related courses on corporate governance studied by the directors and supervisors in 2016 are listed below:												
<table><tr><td>Title</td><td>Name</td><td>Date</td><td>Course Title</td><td>Hours</td></tr></table>					Title	Name	Date	Course Title	Hours			
Title	Name	Date	Course Title	Hours								

Evaluation Items	Implementation			Difference s f r o m Corporate Governanc e B e s t Practice Principles f o r TWSE/GT SM Listed Companies and the C a u s e s
	Yes	No	Abstract	

Chairman	Eric Y. T. Chuo	June 16, 2016	The 2 <sup>nd</sup> Corporate Governance Evaluation Award Ceremony and Special Lecture	3
		July 27, 2016	On the Danger Hidden in Financial Reports from the perspective of Corporate Governance	3
Deputy Chairman	Chen Jin-tsai	March 4, 2016	The Major Controversy over Directors and Supervisors' Responsibilities for Financial Reports	3
		April 25, 2016	Mergers and Acquisitions Practices and Tax Planning	3
Director	Li Xunqin	July 19, 2016	Discussion of Relevant Legal Questions of Insider Trading	3
		July 19, 2016	Enterprise Performance Information Interpretation	3
Director	Zhuo Wenheng	Feb. 26, 2016	Strategy and Execution	3
		July 5, 2016	Series II of Great Decisions of Board of Directors: Transfer and Inheritance of Enterprise Succession	3
Director	Hui-Chin Tsai	Feb. 26, 2016	Strategy and Execution	3
		July 5, 2016	Series II of Great Decisions of Board of Directors: Transfer and Inheritance of Enterprise Succession	3
Director	Representative of Sanko Investments Limited: Hunag Yousan	Dec. 1, 2016	Discussion of Relevant Legal Questions of Insider Trading	3
		Dec. 1, 2016	Practical Cases Analysis of Criminal Breach of Trust and Special Criminal Breach of Trust of Directors and Supervisors	3
Independent Director	Jiang Zhenghe	Sep. 1, 2016	Practical Cases Analysis of Criminal Breach of Trust and Special Criminal Breach of Trust of Directors and Supervisors	3
		Oct. 7, 2016	Legal Norms and Risk Responsibilities which Must Be Known by Directors, Supervisors and Insiders Under Corporate Governance	3
Independent Director	Chen Zeyu	July 19, 2016	Discussion of Relevant Legal Questions of Insider Trading	3
		July 19, 2016	Enterprise Performance Information Interpretation	3
Independent Director	Chen Qinghui	July 26, 2016~ July 27, 2016	Seminar for Directors and Supervisors (including independent ones)	12

(7) Related courses on corporate governance studied by the financial supervisors and audit supervisors in 2016 are listed below:

Title	Name	Date	Course Title	Hours
Assistant General Manager of Financial Section	Li Yifeng	Dec. 19, 2016- Dec. 20, 2016	Continuous Advancement Course for Accounting Supervisors of Publishers, Securities Dealers and Stock Exchange	12
Manager (Audit Supervisor)	Chen Shichong	Oct. 27, 2016	Discussion on Fraud Risk form Cycle Control Operation-II	6
		Nov. 8, 2016	How to audit fraud in sales and collection, and purchase and payment using forensic data analytics (FDA)	6

(8) Certificates of financial and accountancy personnel and auditors of the Company:

7 persons with CPA, 2 persons with US CPA, one person with UK CPA and 4 persons with CIA.

9. Please state what has been improved based on the corporate governance results published by Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and what needs to be strengthened and what

Evaluation Items	Implementation			Difference s f r o m Corporate Governanc e B e s t Practice Principles f o r TWSE/GT SM Listed Companies and the C a u s e s
	Yes	No	Abstract	
<p>measures need to be taken for what hasn't been improved.</p> <p>It entered top 5% of the listed companies in the 3<sup>rd</sup> Corporate Governance Ratings published by Corporate Governance Center of Taiwan Stock Exchange, being in the top 5% companies for two consecutive years.</p> <p>For what will be improved in the future:</p> <p>(1) It pays attention to the diversification of the board members and plans to elect one more female independent director at the shareholders' meeting in 2017; in the future, the number of seats of either gender can be over 1/3.</p> <p>(2) To encourage colleagues to expose any unlawful and illegal act, it plans to draw up reporting methods and announces them on its website so that colleagues and other interested parties can know and report any suspicious or illegal act directly to the company.</p>				

Note: Accountant Independence Evaluation Criteria

No.	Evaluation Item	Evaluation Outcome	Conformity to Independence
1	Does the accountant have a direct or important indirect financial interest in the Company?	No	Yes
2	Does the accountant finance or guarantee something for the Company or other directors and supervisors?	No	Yes
3	Does the accountant have a close commercial relationship with the Company?	No	Yes
4	Is there a potential employment relationship between the accountant and the Company?	No	Yes
5	Are there contingent fees related to the audit case?	No	Yes
6	Have the accountant held the post of director, supervisor or manager, or a post having significant impacts on the audit case recently or in the last 2 years?	No	Yes
7	Does the accountant advertise or broker shares or other securities issued by the Company?	No	Yes
8	Can the non-audit services the accountant provides affect important items in the audit case directly?	No	Yes
9	Does the accountant act as the counsel of the Company or mediate conflicts with a third party on behalf of the Company?	No	Yes
10	Is there a kinship between the accountant and the Company's directors,	No	Yes

	supervisors, managers or persons having significant impacts on the audit case?		
11	Does the CPA who retires within one year hold the post of director, supervisor or manager, or a post having significant impacts on the audit case?	No	Yes
12	Has the accountant accepted valuable presents or gifts from the Company or other directors or managers?	No	Yes
13	Does the accountant provide services of directors, supervisors or other equivalent posts to the Company's colleagues?	No	Yes
14	Does the accountant provide non-audit services below (excluding what's said in Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.2): (1) Bookkeeping service (2) Evaluation service (3) Tax service (4) Internal audit service (5) Short-term staffing service (6) Recruiting senior managers (7) Corporate finance service	No	Yes

## Composition, Responsibilities and Operation of the Remuneration Committee:

### 1. Information of Remuneration Committee Members

Identity	Requirement Name	Having over 5 years of work experience and the following professional qualifications			Conformity to Independence (Note 1)								The number of other public companies where posts of independent directors are held by these people	Remarks (Note 2)
		Having the title ranking above lecturer in departments of commerce, law, or accounting or related to company business in public and private universities and colleges	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8		
Independent Director	Jiang Zhenghe			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent Director	Chen Qinghui			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Other	Tu Liming			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: If the member meets any of the following criteria in the two years before being elected or during the term of office, please check the corresponding boxes:

- (1) Not an employee of the Company or other affiliates;
- (2) Not a director or supervisor of the Company (the same does not apply if the person is an independent director of the parent company or subsidiaries where the company have over 50% voting shares directly or indirectly);
- (3) Not an individual shareholder in Top 10 Shareholders or the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs;
- (5) Not a director, supervisor, or employee of institutional shareholders having over 5% of the total issued shares or in Top 5 Shareholders;
- (6) Not a director, supervisor, manager or shareholder having 5% of the shares of the specified company or agency that have financial transaction or business contact with the company;
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance and accounting for the Company or its affiliates.
- (8) Not being involved in any of the situations set forth in Article 30 of the Company Act.

Note 2: if the member is a director, please state whether this conforms to Article 6.5 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter”.

## 2. Responsibilities of Remuneration Committee

To assist the board of directors in executing, evaluating and reviewing the policy, system, standard and structure of salaries and remunerations of the Company's directors and managers regularly, the remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit suggestions for discussion to the board of directors.

- (1) The committee shall make and periodically review the performance evaluation, remuneration policy, system, standards and structure of directors and managers.
- (2) The committee shall periodically evaluate and set the remuneration of directors and managers.

## 3. Operation of the Remuneration Committee

- (1) The committee has 3 members.
- (2) Term for the Current Committee Members: June 28, 2016~ June 27, 2019; The Remuneration Committee held 2 (A) meetings in 2016 and the qualifications of the committee members as well as their attendance records are shown below:

Title	Name	Number of Meetings	Number of Meetings	Personal Attendance Rate (%) (B/A)	Remarks
Convener	Jiang Zhenghe	2	0	100.0%	Directors were reelected on June 28, 2016 and the committee member were reappointed.
Committee Member	Chen Zeyu	1	0	100.0%	Assumed his duty on June 28, 2016
Committee Member	Chen Qinghui	1	0	100.0%	Assumed her duty on June 28, 2016
Committee Member	Huang Congzhou	1	0	100.0%	Relieved of duty on June 27, 2016
Committee Member	Xiao Tinglang	1	0	100.0%	Relieved of duty on June 27, 2016

Other necessary information:

1. If the Board does not adopt or revise proposals of the remuneration committee, the Board meeting date, session, session, content of the motion, the Board decision, and the Company's response to the remuneration committee's opinions shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the remuneration committee, the difference and reasons must be noted): none
2. Should a committee member oppose or reserve their opinion regarding any decision made by the remuneration committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: none



**(v) Fulfillment of Social Responsibility:**

Evaluation Items	Operation Status			Difference s from Corporate Social Responsibility Best Practice Principles for TWSE/GT SM Listed Companies and the Causes
	Yes	No	Abstract	
<p>1. Implementation of corporate Governance</p> <p>(1) Has the Company established a corporate social responsibility policy or system and reviewed the implementation results?</p> <p>(2) Does the Company periodically hold educational training on social responsibilities?</p> <p>(3) Has the Company established a dedicated (or non-dedicated) department (in the charge of senior managers authorized by the Board and reporting to the Board) to promote corporate social responsibilities?</p> <p>(4) Has the Company established reasonable salary and compensation policies, combined employee performance evaluation policies with corporate social responsibility policies and established a clear and effective reward and punishment system?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The ideas of the company's fulfillment of corporate social responsibility mainly focus on "education"; the Company has established "Corporate Social Responsibility Practice Principles" based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and put it on the company website; apart from updating related information of corporate social responsibility, the relevant units convene meetings irregularly to review the current measures and present improvement plans, so the principles are implemented well.</p> <p>(2) The Company carries out health promotion activities for colleagues, volunteer training activities and social responsibility and environment protection trainings for new employees regularly. It has been holding JIMTOF since 2010, hoping students from National Tsing Hua University can learn from the strong points of the precision mechanical industry in other countries during their visits, enhance their international visibility and absorb international precision machinery development techniques so that they can be engaged in industries related to the machinery positively in the future to make precision machinery technologies in Taiwan compete with those in Japan and Germany and become an important motive force that drives mechanical industry upgrading in Taiwan and makes Taiwan's machinery go international; besides, to refine the disclosure in CER report, it invites external specialists to give lessons in the company to make heads of relevant units learn more of social responsibility and disclose related information more completely when writing the report. Besides, it runs business in good faith, covering food safety, legal safety and assets safety, etc. It held a total of 191 related courses in 2016, which 2,716 people attended and totaled 4,559 hours.</p> <p>(3) Units in the Company that promote corporate social responsibility include Chairman Room, Management Department, Labor Security and Environmental Protection Department, Human Resource Department, Financial Department and Planning Section; the chairman and the general manager are responsible for setting the Company's vision of corporate social responsibility; relevant units convene meetings irregularly and report big issues to the Board; CSR committee pays attention to issues related to education, economy, environment and social vulnerable group, and report big issues to the Board; please read "Corporate Governance" in the Company's CSR report.</p>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
			(4) The Company has established reasonable salary and compensation policies, so salary adjustment and promotion are handled with systematized procedures transparently and openly; it holds meetings regularly for salary adjustment and bonus allocation to make all colleagues learn about the salary and remuneration policy; in addition, it holds educational trainings related to corporate social responsibility irregularly and makes the results one of the evaluation items of individual performance and promotion; to improve the training effects, it has established a reward and punishment system.	
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impacts on the environment?</p> <p>(2) Has the company established a proper environmental management system based on the characteristics of the industry?</p> <p>(3) Does the company notice the impacts of climate change on its operations, check greenhouse gases and develop company strategies for energy conservation and reduction of CO2 emission and greenhouse gas emission?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company is dedicated to developing and using green products' materials and packing materials and strengthening garbage classification and resources recovery to reduce the waste of resources. It also advocates energy conservation in the company by managing energy use effectively through system promotion and energy review; it made a reduction plan in 2015 to save 980000 kWh, i.e. reducing 515 tonnes of carbon emission. Besides the strategies above, it also promotes paperless receipts to reduce paper waste and develops a unique wind power component to create new clean energy and reduce the impacts of company operation on natural environment.</p> <p>(2) The Company appoints Labor Security and Environmental Protection Department and environmental protection personnel to deal with air pollution, waste water and garbage, and authorizes a professional handling agency to dispose waste produced in the productive process and plan and arrange training courses related to labor security and environmental management for employees to ensure the implementation of the company policy; it achieved ISO14000 Environment Management System certification in 1997, and conducted "Greenhouse Gas Inventory 2010" and "Ball Screw Carbon Footprint Verification" according to ISO14064-1(Greenhouse Gas Inventory at Organization Level) and PAS 2050 (Product Carbon Footprint) standards; it got ISO14064-1 and PAS 2050 certificates from British Standards Institution (BSI).</p> <p>(3) The Company's coping strategies for climatic change:</p> <ol style="list-style-type: none"> <li>1.Prevention and control of air and water pollution</li> <li>2.Waste reduction and recovery</li> <li>3. Reduction of greenhouse gases</li> <li>4.Save water and chemicals</li> <li>5. Increase the use of energy saving products</li> <li>6. Build carbon footprint</li> <li>7. Avoid using harmful and toxic substance</li> </ol>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
			<p>(4) The Company's greenhouse gas inventory: a direct emission of 6,102 tonnes of CO<sub>2</sub>-e and an indirect emission of 90,567 tonnes of CO<sub>2</sub>-e in 2016, totaling 96,669 tonnes of CO<sub>2</sub>-e; a direct emission of 5,893 tonnes of CO<sub>2</sub>-e and an indirect emission of 86,972 tonnes of CO<sub>2</sub>-e in 2015, totaling 92,865 tonnes of CO<sub>2</sub>-e.</p> <p>(5) The Company expects to continue to promote several energy management action plans in 2017 with NT\$ 5.15 million, which can save 2 million kilowatt-hours and NT\$ 6.69 million in annual electricity costs, and reduce carbon emissions of 1,222 tonnes of CO<sub>2</sub>-e.</p> <p>(6) The Company is devoted to reducing traditional pollutants to respond to the government's CO<sub>2</sub> emission reduction and energy saving policy; through the energy budget of the Bureau of Energy, MOEA, it's selected as the demonstration enterprise group (the only listed company in the precision mechanical industry) of ISO 50001 energy management system by the Industrial Development Bureau, MOEA; Taiwan Green Productivity Foundation assists the Operational Headquarters of HIWIN in importing the energy management system according to the international standard; after the operational status of the Operational Headquarters of HIWIN was inspected by TUV Rheinland, it passed ISO 50001 energy management system verification successfully; it implements control according to the management system (PDCA) every year.</p>	
<p>3. Safeguarding public welfare</p> <p>(1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as International Covenants on Human Rights?</p> <p>(2) Has the company set up a complaint channel and mechanism and handle complaints properly?</p> <p>(3) Does the company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Has the Company established mechanisms for regular communications with employees</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company employs employees according to relevant labor laws and International Covenants on Human Rights, and has made "Working Rules" and "Employee Code of Conduct", and established related management policies and procedures to safeguard employees' working rights and interests.</p> <p>(2) The Company has set an employee complaint box; meanwhile, it uses a two-way communication and coordination mode for employees and the employer and convenes labor-management conferences regularly to coordinate labor relationship and discuss how to promote employee-employer cooperation and improve working conditions, and plan for labor welfare, so the relationship between employees and the employer has been harmonious since the factory was opened and there has been no labor trouble so far.</p> <p>(3) The Company has passed OHSAS 18001/TOSHMS Occupational Safety and Health verification, and it invites professional institutes to conduct external audits every year to</p>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
<p>and keeping employees informed in a reasonable manner changes in Company operations that might have significant impacts on employees?</p> <p>(5) Has the Company established an effective career capability development training program for employees?</p> <p>(6) Has the Company established consumer protection policies as well as complaint procedures with regards to R&amp;D, procurement, production, operations and service flows?</p> <p>(7) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?</p> <p>(8) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>keep the management system operating. Furthermore, it carries out employee safety and health training, fire-fighting drilling and working environmental harm control evaluation, and provides sufficient protection to safeguard employee health and safety.</p> <p>To implement environmental safety and health policy, the Company has established systematic management (OHSAS18001 and TOSHMS); through the management spirit of PDCA Cycle, it adds the environmental safety and health concepts to R&amp;D, product manufacturing and service, raw materials using and waste gas; in addition, it promotes continuous improvement in goal management schemes through organizing meetings, educational training and employee involvement to fulfill environmental safety and health protection. The mode of operation is shown below:</p> <ol style="list-style-type: none"> <li>1. Every factory has appointed occupational safety and health management units and personnel to draw up occupational safety and health management plans, promote work environment and operation hazard risk identification, evaluate and control health and safety management items, carry out automatic inspection before operation of mechanical equipment and working environment monitoring and continuously improve safety and health facilities so as to create a safe, healthy, comfortable and friendly work environment.</li> <li>2. Before being designed or purchased, the equipment must conform to necessary safety and health standards and be reviewed and evaluated by safety and health personnel through the management system of change, and must meet safety and health standards before being used in the factory.</li> <li>3. All factories hold occupational health and safety committee meetings regularly every year to review and improve related safety and health issues, and take precautionary measures depending on operating risks, such as mechanical equipment management, contractor management, chemicals safety management, personal protective equipment requirements and safety audit management. Besides, they also do emergency response drills regularly so as to minimize employees' and the Company's capital losses and impacts of disasters on the society and environment.</li> <li>4. It appoints special physicians and employs special nurses to provide health service near factories, plans and implements labor health education, health promotion and guidance, prevention and cure of work-related injuries, health consultation, first aid and emergency treatment, and holds regular health promotion activities, such as healthy eating, relaxation, preserving health using traditional Chinese medicine</li> </ol>	

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
			<p>and walking to fitness to satisfy employees' health needs. Moreover, it also conducts health examination according to their ages and special work health examination to effectively evaluate and track employees' health condition.</p> <p>5.It conducts working environment monitoring semiannually, including physical and chemical factors defined in laws and regulations, such as illumination, concentrations of carbon dioxide, noise, and concentration of special chemical substances specified by laws and regulations. When there is an unusual phenomenon found from monitoring, the labor security personnel in the factory will conduct evaluation and improvement to ensure an acceptable level of hazard factor exposure risk so as to protect the health of operating personnel.</p> <p>6.Apart from improvement in work environment and workplace health, there's also improvement in human factors engineering, including simple fork lift truck, vacuum extractor, hydraulic cart and trolley; moreover, it also conducts allotment of labor, and educational trainings and advocacy on correct handling posture.</p> <p>(4) Besides convening regular labor-management conferences to communicate with employees, it holds a monthly meeting at the beginning of every month where senior managers report the company's business and operation status to all the employees; meanwhile, it also sets feedback boxes for employees to communicate with the chairman, general managers and the human resource department to create a good communication environment.</p> <p>(5) It has a perfect career development training system, the theme of which covers core competencies building, specialized knowledge and skills at different levels in different fields, and leadership management and humanistic quality to cultivate all occupational skills in employees.</p> <p>(6) The drive control and system protects produced and sold by the Company are industrial products; by providing customers with a complete package of technology support and after-sale services, it hopes to grow together with its customers; there is a special area for interested parties on the company website for consumers to give feedbacks or complain in real time and the Company will respond to their questions to protect their rights and interests.</p> <p>(7) The Company's products are sold around the globe, so they must conform to environmental protection regulations of all countries; it and its suppliers jointly ensure they conform to the regulations above, and improve the suppliers' quality, environmental awareness and ability, and share the corporate social responsibility.</p> <p>(8) At present, the Company usually asks the suppliers to fill</p>	

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Abstract	
			in “New Supplier Evaluation and Survey Form” before doing business, which lists social responsibility and their environmental impacts and shall be answered in details by manufacturers; it evaluates whether to trade with suppliers based on this form. (9) It stipulates when purchasing main equipment, if the manufacturer has significant effect on environmental protection, it will reevaluate whether to continue to make deals with the supplier; after deciding to deal with the supplier, both parties must sign a sale and purchase agreement which shall state expressly the articles of corporate social responsibility; both parties shall obey policies of corporate social responsibility, and the business operation mode shall meet standards of ethics, law and the public, and consider their effects on the society and natural environment; in case either party violates policies of corporate social responsibility, the other party has the right to terminate or rescind the contract.	
4. Strengthening information disclosure (1) Has the Company disclosed relevant and reliable corporate social responsibility information on its website as well as on the Market Observation Post System (M.O.P.S.)?	V		(1) The Company has a special area for corporate social responsibility on the company website, publishes related information of its corporate social responsibility on the Market Observation Post System according to relevant law or decree, and discloses relevant and reliable related information of its corporate social responsibility in the annual report. (2) The Company regularly issues CSR report to disclose and promote corporate social responsibility on <a href="http://www.HIWIN.com.tw/CSR/">http://www.HIWIN.com.tw/CSR/</a> .	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any difference between the Principles and their implementation: The Company has established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies”, and there is no major difference between actual operation and the principles. Besides, with the efforts of all the colleagues, corporate governance, energy conservation and environment protection and efforts devoted to public welfare, and protection of other rights of interested parties are well received.				
6. Other important information useful for a better understanding of the company’s corporate social responsibility practices: (1) The Company has been spending millions of New Taiwan Dollars holding “HIWIN Thesis Award” every year since 2004, which has been held for the 12 <sup>th</sup> time up to the publication date of the annual report, mainly to encourage students to throw themselves into R&D and innovation of mechanical engineering field and cultivate more talents for Taiwan and enterprises there so as to promote and improve the research interests and level of students in Taiwan and absorb more talents into the mechanical industry. (2) It has been holding HIWIN Articulated Robot Hands-on Competition since 2008, and which has been held for the 8 <sup>th</sup> time up to the publication date of the annual report, laying a foundation for talents and technology of the future robot industry. (3) HIWIN serves as a gatekeeper for talents of Taiwan’s mechanical industry, and has been assisting Taiwan Automation Intelligence and Robotics Association (TAIROA) in promoting “Automation Engineer” Certificate Examination since 2009, mobilizing teachers from machinery-related universities and colleges and business elites, totaling 500, to set and review questions in such exams. The examination has been given for the 14 <sup>th</sup> time up to the publication date of the annual report, with nearly 50,000 having registered. To fit the development trend of the				

Evaluation Items	Operation Status			Difference s f r o m Corporate S o c i a l Responsib ility Best Practice Principles f o r TWSE/GT SM Listed Companie s and the C a u s e s
	Yes	No	Abstract	
<p>major countries in the world, and as the robot is the necessary foundation for intelligent manufacturing, it has been assisting TAIROA promoting “Robot Engineer” Certificate Examination since 2016, and the first examination has been given.</p> <p>(4) It founded HIWIN Education Foundation in 2009, which aims at improving Taiwan’s industrial level through education and financial assistance and scholarships.</p> <p>(5) HIWIN Education Foundation has been holding “A Delegation of Undergraduates from Department of Mechanics to JIMTOF” since 2010 to motivate students in Department of Mechanics to concentrate on the study of precision machinery and develop an international outlook and then improve the innovation of technology of Taiwan’s mechanical industry. Through primary election and secondary selection of undergraduates from Department of Mechanics in Taiwan, this activity selects 40 sophomores and juniors at most from departments related to mechanical engineering, automation and motor to go to Japan to visit biennial JIMTOF and leading factories there.</p> <p>(6) It has been authorizing Chinese Mechanical Engineering Society to hold “HIWIN Doctoral Dissertation Award” since 2011, which aims at improving the precision machinery and manufacturing technology level of ethnic Chinese in mainland China, Hongkong, Macao and Taiwan, strengthening the cultivation of high-level creative talents, improving the education quality of doctoral students in the field of mechanical engineering and intelligent automation in mainland China and Taiwan, and motivating and encouraging students to throw themselves into R&amp;D and creative application of the field above. It has been held for the 5<sup>th</sup> time up to the publication date of the annual report and will continue to be held.</p> <p>(7) It has been holding “HIWIN Forum - Outstanding CEO Lecture” since 2102 with Asia University and National Kaohsiung First University of Science and Technology respectively, which invites managers of companies whose stock is listed on the stock exchange or traded over the counter with a good business performance or operators whose enterprise is the champion in its field though it’s unlisted to talk about their experiences. It hopes enterprise operators and senior managers can have an opportunity to see and listen to these enterprise leaders. 20 lectures (10 series) have been held up to the publication date of the annual report and will continue to be held.</p> <p>(8) The Company has been devoted to Industry-Government-Academia Cooperation and school education; to fulfill corporate social responsibility, it donates a compound library to 6 elementary schools in Hsinchu with Chairman Chuo, which expects to have online reading functions, a reading room, an auditorium and a lecture hall so that teachers and students can use it conveniently; it can also help children develop reading habits, an international outlook and a basic ability to cope with globalization.</p> <p>(9) It continues to make contributions to corporate bodies and governmental agencies of education, culture, charity and environmental protection to fulfill corporate social responsibility.</p>				
<p>7. A clear statement shall be made below if the company products or corporate social responsibility reports were verified by relevant certification bodies:</p> <p>(1) The Company has invested in product development of medical equipment since 2010, and has achieved Medical Device Good Manufacturing Practice (GMP) of medical device quality control system ISO1348 (5), CE certification of EU Medical Device Directive and CFDA certification of mainland China, and won the 25<sup>th</sup> “Taiwan Excellence Silver Award” up to the publication date of the annual report.</p> <p>(2) In addition to passing verification of Taiwan Branch of British Standards Institution (BSI) and conforming to GRI/G4 standard and AA1000AS 2008 Standard TYPE 1, the Company’s CSR report won Top 50 Corporate Sustainability Report Gold Award and Growth through Innovation Award given by Taiwan Institute for Sustainable Energy.</p> <p>2. The CSR report made by the company of its own accord was awarded “Taiwan Corporate Social Award”, “Taiwan Corporate Social Award-People Development Awards” and the Gold Award of Top 50 Taiwan Corporate Sustainability Reports in TCSA 2016 held by Taiwan Institute for Sustainable Energy, besides being verified by BSI Taiwan and conforming to GRI/G4 criteria and TYPE 1 of AA1000AS 2008 standard.</p>				

**(vi) Implementation of Ethical Corporate Management:**

Evaluation Items	Operation			Difference s from Corporate Governanc e Best Practice Principles for TWSE/GT SM Listed Companie s and the Causes
	Yes	No	Abstract	
<p>1. Establishment of ethical corporate management policy and scheme</p> <p>(1) Has the company expressly stated its ethical corporate management policy and practices in its regulations and external documents? Have its board and management implemented the commitment of ethical corporate management positively?</p> <p>(2) Has the company made rules against dishonesty with clear statements regarding operational procedures, behavior guidelines and appeal system, and implemented them?</p> <p>(3) Has the company made appropriate precautionary measures against high potential dishonesty or operating activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established “Ethical Corporate Management Best-Practice Principles”, expecting its Board and management positively implement its ethical corporate management policy and reinforce employees’ perception of its ethical corporate management ideas through daily recitation and advocacy of the management ideas “Professional Level, Enthusiasm for Work and Professional Ethics”.</p> <p>(2) The Company has established “Employee Code of Conduct”, which expressly states operational procedures and that it will begin disciplinary procedures according to the circumstances for any violation of Code of Ethics or corruption; for any violation of government decrees or corruption, anyone can report to supervisors, managers, internal auditors or other competent personnel by e-mail or in written report, and personnel of relevant units must report this to the Chairman after receiving the report; the internal auditors check whether the preceding system are followed irregularly and include dishonesty into the key points of such check to implement the rules.</p> <p>(3) The Company has established “Employee Code of Conduct” according to “Ethical Corporate Management Best-Practice Principles”, and made appropriate precautionary measures against high potential dishonesty or operating activities stated in Article 2, Paragraph 7 of “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”; the internal audit department also plays an important role in ensuring the obedience of professional ethics. To ensure that the financial, management and operation information is correct, reliable and timely and employee behaviors conform to relevant policies, rules, procedures and regulations, the internal audit department audits according to the annual audit plan authorized by the Board, and submits the results and improvement plans to the Board and management so that to implement the audit effects.</p>	None



Evaluation Items	Operation			Difference s from Corporate Governanc e Best Practice Principles for TWSE/GT SM Listed Companie s and the Causes
	Yes	No	Abstract	
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish a dedicated (or non-dedicated) unit under the Board to promote ethical corporate management and report to the Board regularly?</p> <p>(3) Has the company established policies to prevent conflicts of interest and provided appropriate communication channels, and implemented them?</p> <p>(4) Has the company established an effective accounting system and internal control system to implement ethical corporate management? Does the internal control unit audit on a regular basis or authorize the accountant to audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established an effective assessment mechanism for its suppliers and outsourcers and the contracts with them state both parties' rights and obligations in details, and sign the confidentiality agreement.</p> <p>(2) The Company promotes advocacies related to ethical corporate management and Human Resources Department is responsible for the execution; it does everything possible to promote ethical corporate management and all its colleagues, managers, directors and supervisors should follow "Ethical Corporate Management Best-Practice Principles"; relevant members are obliged to report to the Board, and any colleague finding dishonesty in anyone can also report it through the Company's open channels, and serious violation can be reported to the Board irregularly for the Board to supervise whether it's dealt with according to the rules.</p> <p>(3) The Company's internal staff can report conflicts of interest to their department managers and the audit department, or the chairman or the general manager through the feedback box for them to handle this personally.</p> <p>(4) The Company's management ideas "Professional Level, Enthusiasm for Work and Professional Ethics" have shown its emphasis on ethical corporate management; to build and a corporate culture of ethical corporate management and develop well, it has established "Ethical Corporate Management Best-Practice Principles" and the internal audit unit has established internal audit plans to execute audit and check whether employees are honest or cheat irregularly.</p> <p>(5) The Company advocates ethical corporate management ideas through morning meetings every month, supervisors and basic and promotion trainings. Besides, it arranges external training courses, such as enterprise credit forums and business fraud discussion, for some supervisors and colleague.</p>	None
<p>3. Operation of the Company's offence reporting system</p> <p>(1) Has the Company established a specific offence reporting and reward systems, set up convenient offence reporting channels, and appointed an appropriate person for the one who has been reported?</p> <p>(2) Has the Company established standard operating procedures as well as a relative protection mechanism for whistleblowers?</p> <p>(3) Does the Company take measures to protect whistleblowers from being inappropriately treated?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The "Employee Code of Conduct" of the Company has stated the offence reporting system, and a reward and punishment system for employees has also been established; to make it convenient for whistleblowers to report the breach of good faith, the Company has a feedback box on the company website for them to send mails to the chairman, the general manager and Human Resources Department directly.</p> <p>(2) The Company has stated the investigation methods for offence reporting in "Employee Code of Conduct"; after receiving the report, personnel in relevant units should submit it to the chairman who will instructs relevant units to investigate and handle it in private, and the reported matter and the whistleblower should be kept secret.</p> <p>(3) The company takes perfect protective measures for whistleblowers and doesn't disclose their names and other relevant information to guarantee the investigation quality and protect them from being retaliated or inappropriately treated.</p>	None
4. Strengthening information disclosure	V		(1) The Company discloses its ethical corporate management ideas, corporate mission and brand meaning on both the	None

Evaluation Items	Operation		Difference s from Corporate Governanc e Best Practice Principles for TWSE/GT SM Listed Companie s and the Causes
	Yes	No	
(1) Has the company disclosed its ethical corporate management policies and the implementation results on the company website and Market Observation Post System?			company website and Market Observation Post System; besides, it puts “Ethical Corporate Management Best-Practice Principles” on the company website and Market Observation Post System. (2) Apart from disclosing its ethical corporate management principles on the company website, it also has a dedicated department for collecting and publishing the company information, and has disclosed relevant and reliable ethical corporate management information in the annual report and CSR report.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between the policies and their implementation: none.			
6. Other important information to facilitate a better understanding of the company’s ethical corporate management: it conducts educational trainings regularly to advocate the principle of good faith; besides, it has made Commitment to Trade with Good Faith and required suppliers to sign to promise they do trade with it with good faith.			

## **(vii) Corporate Governance Rules and Regulations:**

### **1. Corporate Governance Regulations:**

- (1) It establishes Operating Procedures of Acquisition or Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Lending Funds to Other Parties, Rules and Procedures of Board Meetings and Organization Rules of the Remuneration Committee according to relevant norms set by Financial Supervisory Commission, Executive Yuan.
- (2) It establishes Ethical Corporate Management Code, Code of Conduct, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Rules and Procedures of Shareholder Meetings and Rules Governing Election of Directors and Supervisors according to relevant norms and reference examples set by Taiwan Stock Exchange.

2. The information above can be downloaded in “Relevant Regulations and Rules Governing Corporate Governance” under “Corporate Governance” on Market Observation Post System or in “Relevant Rules Governing Corporate Governance” under “Investor” at [http://www.hiwin.com.tw/stock/corporate\\_governance.aspx](http://www.hiwin.com.tw/stock/corporate_governance.aspx).

## **(viii) Other Important information helpful for enhancing understanding of the corporate governance of the Company: none.**

## **(ix) Implementation of the internal control system:**

### **1. Statement on Internal Control**

## HIWIN Technologies Corp.

### Statement on Internal Control System

HIWIN Technologies Corp.  
Statement on Internal Control System

Date: March 22, 2017

The Company hereby makes the following statement about its internal control system for the year 2016 based on its self-examination:

1. The Company is aware that it is the Board and managers' responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company's operations, the reliability of its financial statements and compliance with relevant laws and regulations.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the above three objectives. In addition, an internal control system's effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company's internal control system. Once a deficiency is identified, the Company will immediately take corrective action.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter, the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system as specified in the Regulations which are broken down based on the management control process, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each component consists of several items. Please refer to the Regulations for the above items.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After a test of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2016, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting and compliance with the law.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. If the content of the above is untruthful or certain important information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved on March 22, 2017 by the Board, with none of the 8 Directors present opposing it.

HIWIN Technologies Corp.

Chairman: Eric Y. T. Chuo	Signature
General Manager: Hui-Chin Tsai	Signature

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: none.

**(x) In the last year and as of the publication date of the Annual Report, any disciplinary measures taken against the Company or its internal staff according to law or taken by the Company against its staff due to violations of the internal control system, the main deficiency and improvement should be noted: none.**

**(xi) Major resolutions of Shareholder and Board Meetings in the last year and as of the publication date of the Annual Report:**

Name	Date	Major Resolutions
Shareholder Meeting	June 28, 2016	Approved Business Report and Financial Statement 2015
		Approved Earnings Distribution Statement 2015
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments to the Articles of Incorporation
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments to some articles of the Articles of Incorporation
		Passed amendments to the Procedures Governing the Acquisition or Disposal of Assets
		Passed amendments to Procedures for Lending Funds to Other Parties
		Passed amendments to Procedures for Endorsements and Guarantees
		Passed amendments to Rules and Procedures of Shareholder Meetings
		Passed amendments to Rules Governing Election of Directors and Supervisors
		Approved the election of the directors of the 10th Board
		Lifted restrictions on non-competition of the directors
Board Meeting	March 26, 2016	Passed Business Plan 2016
		Approved Annual Financial Statement 2015
		Passed Annual Business Report 2015
		Passed Earnings Distribution Statement 2015
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments to some articles of the Articles of Incorporation
		Passed amendments to the Procedures Governing the Acquisition or Disposal of Assets
		Passed amendments to Procedures for Endorsements and Guarantees
		Passed amendments to Procedures for Lending Funds to Other Parties
		Passed amendments to Rules and Procedures of Shareholder Meetings
		Passed amendments to Rules and Procedures of Board Meetings
		Passed amendments to Rules Governing Election of Directors and Supervisors
		Passed amendments to Code of Conduct for Directors, Supervisors and Managers
		Passed amendments to Rules Governing Ethical Corporate Management
		Approved the election of the directors of the 10 <sup>th</sup> Board
		Lifted restrictions on non-competition of the directors of the 10th Board and their representatives
		Passed the date and venue for the Board meetings in 2016, when and where proposals of shareholders holding one percent or more of the total number of outstanding shares and candidate nomination of directors are accepted, and related issues
		Passed capital increase of HULKet

		Passed factory building phase I in Suzhou Industrial Park for HIWIN mainland China
		Passed factory building phase II in Taichung City Precision Machinery Innovation Technology Park
Board Meeting	May 10, 2016	Approved First-Quarter Financial Statement 2016
		Passed the review of shareholder proposals and candidate nomination of directors (including independent directors)
		Passed establishment of “Audit Committee” and “Organization Rules of the Audit Committee”
		Passed loans to HULKet
Board Meeting	June 17, 2016	Passed loans to HULKet
Board Meeting	June 28, 2016	Elected chairman and deputy chairman
Board Meeting	Aug. 10, 2016	Passed matters related to the base date for ex-right, ex-dividend and capital increase of the appropriations of earnings for 2015
		Approved First-Half Combined Financial Statement 2016
		Passed the appointment of the members of the third compensation committee
		Passed endorsement for HIWIN Singapore
		Approved capital increase for HIWIN South Korea
		Approved capital increase and decrease for HIWIN Japan
		Passed loans to HIWIN Italy
		Passed amendments to management rules of the company
Board Meeting	Aug. 30, 2016	Passed trans-trade alliance and manufacturer MOU
Board Meeting	Nov. 8, 2016	Approved Third-Quarter Combined Financial Statement 2016
		Passed factory building phase I in Chiayi Dapumei Precision Machinery Park
		Passed capital increase for and loaning to Eterbright Solar Corporation
		Passed capital increase for and loaning to HIWIN Japan
		Passed endorsement for HIWIN South Korea
		Passed Internal Audit Plan 2017
Board Meeting	Nov. 24, 2016	Passed signing a memorandum with Siemens Taiwan
Board Meeting	March 22, 2017	Passed appointment of one more member for the compensation committee
		Passed Business Plan 2017
		Approved Annual Financial Statement 2016
		Passed Annual Business Report 2016
		Passed Earnings Distribution Statement 2016
		Approved the issuance of new shares for capital increase out of earnings
		Passed amendments to some articles of the Procedures Governing the Acquisition or Disposal of Assets
		Passed election of one more female independent director
		Passed the date and venue for the Board meetings in 2017, when and where proposals of shareholders holding one percent or more of the total number of outstanding shares and candidate nomination of directors are accepted, and related issues
		Passed endorsement for HIWIN Singapore
		Passed loans to HIWIN Italy
		Passed purchasing equity of HIWIN Italy from HIWIN Germany
		Passed capital increase and decrease for and loaning to HIWIN Japan
		Passed the establishment “Measures for Handling Accusations of Unlawful, Immoral and Dishonest Acts”
		Passed renewal of liability insurance for directors, supervisors and managers
Board Meeting	May 8, 2017	Approved First-Quarter Financial Statement 2017
		Passed the review of shareholder proposals and candidate nomination of directors (including independent directors)
		Passed endorsement for Eterbright Solar Corporation

		Passed loans to subsidiaries
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### **Implementation Result of Resolutions of Shareholder Meeting 2016:**

1. Approved annual accounts 2015  
Implementation result: passed at Shareholder Meeting 2016
2. Approved Earnings Distribution Statement 2015  
Implementation result: passed at Shareholder Meeting 2016, with NT\$ 0.6 per share as stock dividend and NT\$ 1.7 dividend per share for stockholders, totaling NT\$ 2.3; NT\$ 2.1 and cash dividends and NT\$ 0.2 stock dividends had been distributed before Sep. 14, 2016, and capital increase out of earnings had also been handled before Oct. 7, 2016.
3. Discussed the issuance of new shares for capital increase out of earnings  
Implementation result: passed at Shareholder Meeting 2016; capital increase out of earnings had been handled before Oct. 7, 2016.
4. Discussed amendments to the Articles of Incorporation  
Implementation result: passed after being voted and amended according to the resolution.
5. Discussed amendments to the Procedures Governing the Acquisition or Disposal of Assets  
Implementation result: passed after being voted and amended according to the resolution; the amended one is disclosed on the company website.
6. Discussed amendments to Procedures for Lending Funds to Other Parties  
Implementation result: passed after being voted and amended according to the resolution; the amended one is disclosed on the company website.
7. Discussed amendments to Procedures for Endorsements and Guarantees  
Implementation result: passed after being voted and amended according to the resolution; the amended one is disclosed on the company website.
8. Discussed amendments to Rules and Procedures of Shareholder Meetings  
Implementation result: passed after being voted and amended according to the resolution; the amended one is disclosed on the company website.
9. Discussed amendments to Rules Governing Election of Directors and Supervisors  
Implementation result: passed after being voted and amended according to the resolution; the amended one is disclosed on the company website.
10. Discussed the election of the directors of the 10<sup>th</sup> Board  
Implementation result: passed after being voted and implemented according to the resolution; 9 directors (including 3 independent directors were elected).
11. Discussed lifting restrictions on non-competition of the directors  
Implementation result: passed after being voted and implemented according to the resolution.

(xii) Different opinions in records or written statements from directors or supervisors regarding major resolutions passed by the Board in the last year and as of the publication date of the Annual Report: none

(xiii) Resignation or dismissal of Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor or R&D Supervisor in the last year and as of the publication date of the Annual Report: none.

## vi. Information on Accountant's Fees

### (i) Information on Accountant's Fees:

Name of the Accounting Firm	Name of Accountants		Audit Period	Remarks
Deloitte & Touche	Yan Xiaofang	Zeng Dongyun	2016	

Monetary Unit: NT\$ 1000

Notch	Items	Audit Fees	Non- Audit Fees	Total
1	Below 2,000		✓	
2	2,000 (including) ~4,000			
3	4,000 (including) ~6,000	✓		✓
4	6,000 (including) ~8,000			
5	8,000 (including) ~10,000			
6	Above 10,000 (including)			

Monetary Unit: NT\$ 1000

Name of the Accounting Firm	Name of Accountants	Audit Fees	Non- Audit Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resource	Other	Subtotal		
Deloitte & Touche	Yan Xiaofang Zeng Dongyun	4,380	-	-	-	435	435	2016	The rest mainly includes capital increase out of earnings and reimbursed expenses

1. Paying at least one-fourth of non-audit fees to CPAs, their accounting firm, and its affiliates: no such cases.
2. Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: no such cases.
3. Audit fees paid in the current year are at least 15% less than those paid in the previous year: no such cases.

### (ii) CPA Independence

The Company evaluates CPA Independence regularly based on the items below and reports the results to the Board:

1. CPA Independence Evaluation Questionnaire

2. The same accountant hasn't executed certification work continuously for over 5 years.
3. The Company will confirm whether the audit results are affected before the non-audit services are provided.

## **v. Information on Change of Accountant**

### **(i) About the former accountant**

Date of Change	March 26, 2016		
Reasons and Explanations	As a result of internal job transfers within Deloitte & Touche, the company’s CPAs were changed from Yan Xiaofang and Cheng Derui to Yan Xiaofang and Zeng Dongyun.		
Was the termination of audit services initiated by the Company or the CPA?	Parties Involved	Account	Appointer
	Situation	Not Applicable	
	The Company terminated the appointment. The CPA rejected being appointed.		
Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years	Not Applicable		
Having different opinions from the issuer	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Audit Range and Steps
			Others
	No	✓	
	Explanation		
Other Disclosures (according to Sub-item 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)	None		

### **(ii) About the succeeding accountant**

Name of the Accounting Firm	
Name of Accountants	
Date of Appointment	
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to appointment	Not Applicable
Different opinions in written form made by the succeeding accountant from the former accountant	

### **(iii) Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: Not Applicable.**



**vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within the Last Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed: none.**

**vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report**

**(i) Changes of shares held by directors, supervisors, managers and major shareholders**

Unit: shares

Title	Name	2016		Jan. 1, 2017 to Apr 30, 2017	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman & CEO	Eric Y. T. Chuo	(357,509)	-	(526,000)	-
Deputy Chairman	Chen Jin-tsai	7,848	(1,000,000)	-	-
Director & General Manager	Hui-Chin Tsai	87,012	-	(192,661)	-
Director & Vice General Manager of Chairman Room	Zhuo Wenheng	(100,905)	-	(269,000)	-
Director	Li Xunqin	(277,438)	(3,300,000)	(47,000)	-
Director	Sanko Investments Limited	61,511	-	-	-
	Representative: Hua ng Yousan	-	-	-	-
Independent Director	Jiang Zhenghe	-	-	-	-
Independent Director (Note 1)	Chen Zeyu	-	-	-	-
Independent Director (Note 2)	Chen Qinghui	-	-	-	-
Supervisor (Note 3)	Zhang Liangji	-	-	-	-
Executive Vice General Manager of Chairman Room (Note 4)	Lin Mingyao	12	-	-	-
Senior Vice General Manager of Marketing Business Group	Yang Shengzhi	2,336	-	(3,000)	-
Vice General Manager of Marketing Business Group	Peng Yanqi	87	-	-	-
Vice General Manager of Chairman Room	Song Xiande	-	-	-	-
Assistant General Manager of Financial Section	Lin Yifeng	7,673	-	-	-
Assistant General Manager of Chairman Room	Qu Yueling	(7,197)	-	-	-
Assistant Manager of Production Business Group	Jinag Mingjun	(2,688)	-	-	-
Assistant Manager of Business Department	Zhang Kunyao	59	-	-	-

Assistant Manager of Marketing Business Group (Note 5)	Deng Hongqun	-	-	-	-
Assistant Manager of Chairman Room	Qiu Shirong	385	-	-	-
Assistant Manager of System Research Department	Wang Fuqing	1,293	-	-	-
Assistant General Manager of Financial Section	Wu Yueqin	5,976	-	-	-
Assistant Manager of Quality Assurance Department	Wu Junliang	675	-	-	-
Executive Assistant Manager of Financial Section	Liao Kehuang	1,568	-	-	-
Assistant Manager of Chairman Room (Note 6)	Chen Xiulian	122	-	-	-
Assistant Manager of Production Business Group	Li Wenbin	111	-	-	-
Assistant Manager of Chairman Room (Note 7)	He Youheng	-	-	-	-
Assistant Manager of Information Section (Note 8)	Zhang Yongming	-	-	-	-
Assistant Manager of Chairman Room (Note 8)	Yang Chuangbao	1,020	-	-	-
Assistant Manager of Project Development Department (Note 9)	Zeng Jinyuan	-	-	-	-
Assistant Manager of Production Business Group (Note 10)	Chen Congren	-	-	-	-

Note 1: Independent director Chen Zeyu died on Dec. 9, 2016.

Note 2: Independent director Chen Qinghui assumed her post on June 28, 2016.

Note 3: Supervisor Zhang Liangji was relieved of duty on June 28, 2016.

Note 4: Lin Mingyao was relieved of duty on April 14, 2017, and assigned the General Manager of Eterbright Solar Corporation.

Note 5: Deng Hongqun was relieved of duty on Sep. 20, 2016.

Note 6: Chen Xiulian was relieved of duty on April 30, 2017.

Note 7: He Youheng was relieved of duty on May 9, 2016.

Note 8: Zhang Yongming and Yang Chuangbao assumed their posts on March 26, 2016.

Note 9: Zeng Jinyuan assumed his post on Aug. 10, 2016.

Note: Chen Congren assumed his post on Nov. 24, 2016.

**(ii) Stock transferred to related parties: none.**

**(iii) Stock rights pledged to related parties: none.**

**viii. Information of the 10 Largest Shareholders Who Are Related as Stated in Statement of Financial Accounting Standards No. 6, or Couples or Relatives within the Second Degree of Kinship**

April 30, 2017

Unit: shares %

Name of Major Shareholders	Shares Held Personally		Shares Held by Spouse or Minor Children		Combined Shares Held in The Name of Others		Names and Relationship of the Top Ten Shareholders Who Are Related, Couples or Relatives within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relationship	
HIWIN Investment Corporation	19,801,919	7.21%	-	-	-	-	Eric Y. T. Chuo	Chairman	
Representative: Eric Y. T. Chuo	12,773,063	4.65%	1,043,433	0.38%	-	-	Zhuo Xiumin Zhuo Wenheng Zhuo Xiuyu	Within the First Degree of Kinship	
Eric Y. T. Chuo	12,773,063	4.65%	1,043,433	0.38%	-	-	Zhuo Xiumin Zhuo Wenheng Zhuo Xiuyu	Within the First Degree of Kinship	
Nan Shan Life Insurance Co. Ltd.	12,338,678	4.49%	2,582,342	0.94%	-	-	-	-	
Representative: Du Yingzong	11,593,278	4.22%	-	-	-	-	-	-	
Li Xunqin	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	10,498,094	3.82%	-	-	-	-	-	-	
Representative: Tsai Ming Hsing	-	-	-	-	-	-	-	-	
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	7,931,484	2.89%	-	-	-	-	-	-	
Citibank Taiwan in Custody for Norges Bank	6,724,147	2.45%	-	-	-	-	-	-	
Zhuo Wenheng	5,561,860	2.03%	-	-	-	-	Eric Y. T. Chuo Zhuo Xiumin Zhuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	

Zhuo Xiuyu	4,759,490	1.73%	84,422	0.03%	-	-	Eric Y. T. Chuo Zhuo Xiumin Zhuo Wenheng	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Zhuo Xiumin	4,439,128	1.62%	202,533	0.08%	-	-	Eric Y. T. Chuo Zhuo Wenheng Zhuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	

**ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses**

Dec. 31, 206

Unit: shares %

Reinvestment Business	Investment of the Company		Investment of Business Directly or Indirectly Controlled by Directors, Supervisors and Managers		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Hiwin Germany GmbH	Note	100%	-	-	Note	100%
Hiwin Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
Hiwin Corporation, Japan	46,200	100%	-	-	46,200	100%
Eterbright Solar Corporation	137,751,098	58%	24,530,381	10%	162,281,479	69%
Hiwin Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
Hiwin South Korea	1,440,000	100%	-	-	1,440,000	100%
Hiwin Italy S.R.L.	Note	94%	Note	6%	Note	100%
HIWIN China	Note	100%	-	-	Note	100%
Hiwin Healthcare Corp. (HIWIN Samoa)	100,000	100%	-	-	100,000	100%
Luren Precision Co.,Ltd. (Luren Precision)	11,352,373	47%	368,156	2%	11,720,529	49%
Luren Precision (Japan)	-	-	500	47%	500	47%
Luren Precision Chicago Co.,Ltd.	-	-	460,000	47%	460,000	47%
Luren Precision Shanghai	-	-	Note	47%	Note	47%

Note: unissued shares

## **IV. Capital Overview**

### **i. Capital and Shares**

#### **(i) Source of Capital**

Unit: NT\$ 1000; 1000 shares

Date	Issue Price	Authorized Stock		Paid-Up Capital		Remarks		
		Number of Shares	Sum	Number of Shares	Sum	Source of Capital	Subscriptions Paid with Property other than Cash	Others
Oct. 8, 1999	12	130,500	1,305,000	123,500	1,235,000	Cash Capital Increase	None	Tai Tsai Cheng (1) No. 72181, dated Aug. 05, 1999
Oct. 22, 2001	10	151,900	1,519,000	135,850	1,358,500	Capital Increase out of Earnings or Capital Reserves	None	Tai Tsai Cheng (1) No. 151591, dated Aug. 14, 2001
Oct. 15, 2002	10	151,900	1,519,000	139,925	1,399,255	Capital Increase out of Earnings	None	Tai Tsai Cheng (1) No. 145107, dated Aug. 14, 2002
Oct. 9, 2003	10	151,900	1,519,000	145,544	1,455,442	Capital Increase out of Earnings or Employee Bonuses	None	Tai Tsai Cheng (1) No. 137138, dated Aug. 15, 2003
Oct. 5, 2004	10	191,038	1,910,380	156,918	1,569,178	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0930135195, dated Aug. 6, 2004
Oct. 5, 2005	10	191,038	1,910,380	177,706	1,777,059	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0940132392, dated Aug. 9, 2005
Aug. 2, 2006	10	300,000	3,000,000	201,345	2,013,448	Capital Increase out of Earnings or Employee Bonuses	None	Jin Kuan Cheng (1) No. 0950133960, dated Aug. 2, 2006
June 25, 2009	24	300,000	3,000,000	223,390	2,233,898	Cash Capital Increase	None	Jin Kuan Cheng (1) No. 0970071383, dated Jan. 8, 2009

Aug. 16, 2010	10	300,000	3,000,000	227,858	2,278,576	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 0990032889, dated June 25, 2010
Aug. 29, 2011	10	300,000	3,000,000	234,693	2,346,933	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 1000031785, dated July 11, 2011
Sep. 17, 2012	10	300,000	3,000,000	246,428	2,464,280	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 1010031169, dated July 13, 2012
Sep. 18, 2013	10	300,000	3,000,000	253,821	2,538,208	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 1020027958, dated July 18, 2013
Sep. 15, 2014	10	300,000	3,000,000	261,435	2,614,354	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 1030026626, dated July 14, 2014
Sep. 2, 2015	10	300,000	3,000,000	269,278	2,692,785	Capital Increase out of Earnings	None	Jin Kuan Cheng (1) No. 1040027343, dated July 21, 2015
Sep. 21, 2016	10	300,000	3,000,000	274,664	2,746,640	Capital Increase out of Earnings	None	Jing Shou Shang No. 10501226510, dated Sep. 21, 2016

Unit: 1000 shares

Stock Class	Authorized Stock			Remarks
	Outstanding Capital Stock	Unissued Shares	Total	
Common Stock	274,664	25,336	300,000	Shares of Listed Companies

Information for Shelf Registration System: none.

## (ii) Shareholding Structure

April 30, 2017

Shareholding Structure Quantity	Governmental Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Outsiders	Total
Number of People	5	5	217	36,249	454	36,930
Number of Shares Held	3,302,056	22,530,852	34,260,893	130,748,371	83,821,854	274,664,026
Shareholding Ratio	1.20%	8.20%	12.47%	47.61%	30.52%	100.00%

## (iii) Equity Dispersion

April 30, 2017

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio
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1 ~ 999	18,413	1,193,885	0.43%
1,000 ~ 5,000	15,316	26,901,661	9.79%
5,001 ~ 10,000	1,651	11,497,921	4.19%
10,001~15,000	512	6,091,438	2.22%
15,001~20,000	282	4,888,031	1.78%
20,001~30,000	216	5,219,655	1.90%
30,001~50,000	194	7,498,839	2.73%
50,001 ~ 100,000	127	8,814,198	3.21%
100,001~200,000	91	12,879,124	4.69%
200,001~400,000	55	15,082,433	5.49%
400,001~600,000	22	10,789,818	3.93%
600,001~800,000	9	6,091,279	2.22%
800,001~1,000,000	5	4,438,816	1.62%
Above 1,000,001	37	153,276,928	55.80%
Total	36,930	274,664,026	100.00%

**(iv) List of Major Shareholders**

April 30, 2017

Shareholders	Share	Number of Shares	Shareholding Ratio
HIWIN Investment Corporation		19,801,919	7.21%
Eric Y. T. Chuo		12,773,063	4.65%
Li Xunqin		12,338,678	4.49%
Nan Shan Life Insurance Co. Ltd.		11,593,278	4.22%
Fubon Life Insurance Co., Ltd.		10,498,094	3.82%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool		7,931,484	2.89%
Citibank Taiwan in Custody for Norges Bank		6,724,147	2.45%
Zhuo Wenheng		5,561,860	2.03%
Zhuo Xiuyu		4,759,490	1.73%
Zhuo Xiumin		4,439,128	1.62%

**(v) Market price, net value, earnings, dividends and other relevant information for the last two years**

Year		2015	2016	Jan. 1, 2017 to March 31, 2017
Market Price per Share	Highest	274.50	179.00	214.50
	Lowest	124.50	104.00	146.50
	Average	205.00	143.90	181.18
Net Value per Share	Before Distribution	50.68	51.34	51.66 (Note 2)
	After Distribution	47.62	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Number of Shares (1000 Shares)	274,664	274,664	274,664 (Note 2)
	Earnings per Share (after-tax)	6.10	4.83	1.04 (Note 2)



	Earnings per Share (after-tax) after retroactive adjustment	5.98	(Note 1)	(Note 1)
Dividend per Share	Cash Dividends	2.1	1.6 (Note 1)	-
	Stock Dividends	0.2	0.2 (Note 1)	-
	Dividends from Earnings	-	-	-
	Dividends from Capital Reserve	-	-	-
Analysis of Return on Investment	Accumulated Unpaid Dividends	-	-	-
	Price/Earning Ratio	33.61	29.79	-
	Price/Dividend Ratio	97.62	89.94	-
	Cash Dividend Yield (%)	1.02	1.11	-

Note 1: The earnings distribution for 2016 has not yet been approved by the Shareholders' Meeting.

Note 2: The financial statement of the first quarter of 2017 audited by the accountant.

## (vi) Dividend Policy and Implementation

### 1. Dividend Policy

The company's dividend policy is made according to the corporation law and the articles of association; in consideration of finance, business and operation, after paying all taxes, covering previous losses and depositing legal reserve and special reserve, the company shall allot the rest earnings, the previous undistributed earnings, and all or part of distributable earnings in the current year.

According to the amendment to the Articles of Incorporation in May, 2015, the apportionment of stock dividends and bonuses is limited to shareholders and employees are not objects of earnings distribution. The company passed amendments to Earning Distribution Policy of the Articles of Incorporation at the shareholders' meeting on June 28, 2016 and formulated remuneration distribution policy for employees, directors and supervisors in the Articles of Incorporation.

According to Articles of Incorporation, if the company has earnings at the end of a fiscal year, it should make an allocation in this way: 1. a minimum of 1% for employee remunerations, 2. a maximum of 4% for the remunerations for directors and supervisors. Employee remunerations shall be given in either stock or cash at the option of the Board, and the remunerations for directors and supervisors shall be given in cash. The allocation plan for employee remunerations and the remunerations for directors and supervisors shall be submitted to the shareholders' meeting. If there is a cumulative loss, the Company shall reserve a certain amount of the earnings to cover the loss, and make an allocation using the method above. The earnings shall be allocated in the form of cash dividend or stock dividend, but the allocation proportion of stock dividend shall not be higher than 2/3 of the total of shareholder dividend and bonus in that year.

### 2. The dividend distribution proposed at the shareholders' meeting

As for the annual earnings distribution plan of 2016, the Board decided on March 22, 2017 to allocate a total of NT\$ 494,395,252 (NT\$ 1.8 per share) for shareholders' dividends, including stock dividends of NT\$ 54,932,810 (NT\$ 0.2 per share) and cash dividends of NT\$ 439,462,442 (NT\$ 1.6 per share); the plan will be implemented after the Shareholders' Meeting approves it and authorizes the Board to set the ex-right and ex-dividend base date.

**(vii) The influences of the bonus shares proposed at the shareholders' meeting on the Company's business performance and earnings per share:** not applicable because the Company didn't disclose financial forecasts for 2017.

**(viii) Employee Bonuses and Remunerations of Directors and Supervisors**

1. Percentage or scope of employee bonuses and remunerations of directors and supervisors provided for in the Articles of Incorporation:

According to Articles of Incorporation, if the company has earnings at the end of a fiscal year, it should make an allocation in this way: 1. a minimum of 1% for employee remunerations, 2. a maximum of 4% for the remunerations for directors and supervisors. Employee remunerations shall be given in either stock or cash at the option of the Board, and the remunerations for directors and supervisors shall be given in cash. The allocation plan for employee remunerations and the remunerations for directors and supervisors shall be submitted to the shareholders' meeting. If there is a cumulative loss, the Company shall reserve a certain amount of the earnings to cover the loss, and make an allocation using the method above.

2. Basis for estimating the amount of employee bonuses and remunerations of directors and supervisors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

At the end of the fiscal year, material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts still differ from the proposed amounts after the publication of the annual financial statement, the differences are charged to the earnings of the following year as a result of change in accounting estimate.

3. Information on proposals passed by the board of directors to distribute employee bonuses:

(1) Remunerations to employees, directors and supervisors in the form of cash bonuses:

NT\$ 85,542,585 for employees and NT\$ 42,771,292 for directors and supervisors

(2) The proportion of the number of shares for employees as remunerations to net profits after tax and the total of employee bonuses of the individual or individual financial reports in the current period: Not applicable. The number of shares for employees as remunerations and the percentage of after-tax net profit during current period, and the proportion of total employee bonus: Not applicable.

4. The actual distribution of employee bonuses and remunerations of directors and supervisors in the previous year:

(1) The employee remunerations were NT\$ 123,950,832 in 2015.

(2) The remunerations of directors and supervisors were NT\$ 61,975,416 in 2015.

(3) There is no difference between the actual distribution and the distribution passed at the Board Meeting.

**(ix) Stock buyback: none.**

**ii. Issuance of Corporate Bonds: none.**

**iii. Issuance of Preferred Stocks: none.**

**iv. Issuance of Global Depositary Receipts (GDR): none.**

**v. Exercise of Employee Stock Option Plan (ESOP): none.**

**vi. Acquisition of New Restricted Stock: none.**

**vii. Mergers and Acquisitions of New Shares Issued by Other Companies:  
none.**

**viii. Execution of Capital Utilization Plan: the Company hasn't issued  
marketable securities or completed the private placement of  
marketable securities, has completed the plan in the recent 3 years,  
with no plan effects shown.**

## V. Business Overview

### i. Business Content

#### (i) Business Scope

##### 1. The Main Content of the Company's Business:

The Company is mainly engaged in R&D, design, manufacturing, sale, maintenance and pre-sales and after-sales services of ball screws (BS), roller screws, linear guideway (GW), industrial robots, wafer robots, precision bearings, various robot arms, lubricating grease, medical equipment, special machines and semiconductor devices.

##### 2. Business Proportion:

The turnover of 2016: GW, BS, industrial robots and others accounted for 61%, 22%, 7% and 10% of the revenue respectively.

##### 3. The Current Product (Service) Items:

Our company provides key components, industrial robots, special machines and after-sales services for machine tools, industrial machinery, bioscience, medical equipment, equipment of electronics industry, photoelectricity, semiconductor devices and automation, etc. Now, the main products of the Company are listed below:

Product Category	Series
GW	Self-lubricating, quiet, roller, overload, microminiature, intelligent, dustproof, high rigidity, light weight, high-resistant torque
BS	Precision grinding, precision rolling, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, SCARA robot arm series, wafer robot arm series, electric gripper, end effector
Rotary table	Biaxial two-arm rotary table, Biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table
Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
Medical Equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgery

##### 4. New products (service) it plans to develop:

- (1) Specification expansion of articulated robot arm series
- (2) Automation application and development of parallel robot arm series
- (3) R&D of automobile ball screws and Electric Power Steering (EPS) System of vehicle
- (4) Development of modular controller

- (5) Development and volume production of linear guideway (CG) of high-resistant torque DB
- (6) Development of walking training machine, upper limb rehabilitation robot, multi-mode patient lifting device, hydrotherapy equipment for burn and scalding, robotic endoscope holder for ENT surgery and spine surgery robot system
- (7) Continuous development and volume production of high speed ball screws (Super T)
- (8) Development of new circulating ball screws (Super Z) and small integrated single-axis robot arm series
- (9) Development of precision rotary cut ball screws
- (10) Pilot volume production of auxiliary solid lubricating ball screws

## **(ii) Industry Overview**

### **1. Development and Current Situation of the Industry:**

The global economy began to recover little by little and the growth in the manufacturing industry picked up in the second half of 2016, with the development in mainland China, America and Germany being the most competitive; mainland China was constantly transitioning its industries to technology-intensive ones and promoting “Made in China 2025” and “Internet +” policy to positively plan for advanced manufacturing capacity; the new U.S. government promoted the growth recovery of the manufacturing industry and the protectionist policy, so there was a boom in its economy; with a diversified industrial base and the full support from the government, Germany continued to lead Industry 4.0. According to World Economic Outlook 2017 published by International Monetary Fund (IMF), the global economic growth rate is estimated to be 3.4% and the economic growth rate of America continues to be revised up; IEK estimates the growth rate of the output value of the manufacturing industry will be 2.52% and the output value will be NT\$ 17.32 trillion in 2017, increasing by NT\$ 430 billion from 2016. IEK indicates there is a global demand for semiconductors, which accelerates Taiwan’s economic recovery, and the global economy has hit bottom and is recovering slowly, which benefits Taiwan’s manufacturing industry. The fourth industrial revolution brings industry competition to a new stage; the rise of Internet of Things, big data, cloud computing and artificial intelligence also brings new demands of industrial development; for example, the past series mode of upstream and downstream supply chains of precision machinery can no longer cope with changing circumstances, and it needs trans-trade alliance, for instance, to cooperate with industrial IC, sensor and network operators to form a new “intelligent precision machinery” industry cluster. As it’s hard for the manufacturing industry to recruit workers and to cope with the diversified production requirements, and the demand of the manufacturing industry for intelligent automation and industrial robot application is increasing, America proposes “Return to the Manufacturing Industry” policy to boost its economy, and EU Member States, faced with the increasingly worsening economy, also raise the idea of “Reindustrialization of EU”, so does England, and Germany pushes Industry 4.0; all of these, plus the shortage of labors in mainland China, will start the next wave of the mass use of robots. According to International Federation of Robotics (IFR), the installed capacity of industrial robot arms increases substantially with 200 thousand ones every year; according to the prediction, the installed capacity will be over 1.4 million robot arms in 2019.

With the fast development of science and technology in recent years, various countries around the world realize industrial transformation by investing in machine design and control technologies, which also leads to the development of related medical and rehabilitation applications; the rapid development of related feedback and sensing technology, high-output thin motor, man-machine interaction and dynamic physiological signal analysis technology also drives the growth of related rehabilitation machine system. Radiant Insights points out the global intelligent health market size can reach 225.5 billion dollars in 2022. In Taiwan, the output value of the health industry was 122.9 billion NT\$ in 2015 and is estimated to be NT\$ 281.9 billion in 2025. Taiwan will enter into an aged society formally in 2017; as the elderly population increases, the combination of medical and health care, supporting elderly people in their own homes and healthy life are the important trend of current well-being development, and are estimated to produce an increase in the demand for home care products and health care robots; and products and services specially designed for the elderly will turn into the most coveted emerging field.

In terms of automobile parts, as the core technology of future automobiles centers on E-Power, lightweight structure and intelligentization, the demand for fuel-efficient cars, such as new energy cars, will rise greatly; meanwhile, the development of Advanced Driver Assistance Systems (ADAS), Internet of Vehicles and related industries will also increase the demand for R-EPS and automobile ball screws. The ratio of R-EPS to steering gear box was 25% in 2016 and it's estimated to be improved to 31% in 2031 making R-EPS the mainstream type of steering gear box. In addition, mainland China will implement CHINA VI Emission Standard in 2018, new regulations for CO<sub>2</sub> emission reduction and energy saving and pollution control, so using electronic assistant ball screws is going to be an irresistible trend, which is a great business opportunity.

2. The relevance of the upper stream, midstream and lower stream of the industry:

Raw Materials (Upper Stream)	Main Products	Main Application (Lower Stream)
Steel, Steel Ball	BS GW	Semiconductor, opto-electronics manufacturing and test equipment, automation equipment, medical equipment of bioscience, electronic industry, machine tool, industrial machinery

3. Product Development Trend:

Intelligent automation has become a global trend and the products will move towards high-value-added commodities, high-end manufacture and digital application. JIMTOF and Taiwan International Machine Tool Show 2016 saw an increase in the number of manufacturers able to manufacture five-axis combined processing machines. HIWIN develops the direct drive CNC rotary table with the group's integration competence, which makes a breakthrough in the dynamic property and reliability that traditional worms and wormwheels cannot reach and plays a key role in the new generation of five-axis processing machines. HIWIN signed an MOU with Siemens to use Siemens controller for five-axis processing machines and intelligent robot arms, guiding customers to intelligent plants and enhancing competitiveness. Luren Precision Co., Ltd, owned by

HIWIN, also develops the five-axis spiral bevel gear by combining its gear machine with Siemens controller, the technological sophistication of which has caught up with that of the expensive equipment provided by suppliers from Europe and America.

The development of HIWIN's multiaxial robots mainly focused on increasing application and improving safety in 2016, including load increase, electric clamps, the development of end effector and the application of sensor; the enhanced safety level also conforms to EU safety standards; it has achieved CE certification and it's predicted that the sales area will be expanded and the sales volume will also be expanded on a quarterly basis in 2017.

Besides developing intelligent ball screws and linear guideways by itself, HIWIN formed trans-trade alliances with Taiwan and International Semiconductor Industry Association, Taiwan Automation Intelligence and Robotics Association and Taiwan Machine Tool & Accessory Builders' Association in 2016, preparing to use industrial IC largely for key components and visual systems of robots and expanding the application field for intelligent components, machines and systems to meet global advanced manufacturing demand and assist customers with transformation and upgrading. Following the trend, HIWIN develops various robot arms with different strokes and loads, making automation application more flexible. Besides, for the core architecture of robot arms, HIWIN strengthens not only modularization, but also shareability, and it creates stronger cost advantages through parallel expansion and vertical integration of product specification.

In current production, Industry 4.0 also introduces a great deal of automatic production equipment for production; only in this way can it retain the advantage of low cost production. The robot arms in Industry 4.0 are required to be more and more precise, light and handy, so the minitype and lightweight linear guideway is developed positively to provide more accurate displacement and installation method. Besides, lift wafer arms in high-tech wafer factories require more and more high-resistant torques and ordinary DF-configured ball linear guideway cannot bear large torque load, so new products of high-resistant torque DB-configured ball linear guideway are developed positively.

As for the application layer of other products, various medical examination instruments may be needed badly, for example, the demand for blood analyzer and DNA detection instrument rises linearly, which also promotes the importance of precision, shaping the new market of high precision linear drive system module; in terms of medical treatment, HIWIN has achieved ISO13485 quality system certification and GMP certification. In the aspect of rehabilitation, the lower limb rehabilitation robot has been licensed in mainland China, EU and Taiwan, and the upper limb rehabilitation robot is also going to be on the market, indicating that HIWIN is gradually perfecting its product line in rehabilitation equipment. In terms of the minimally invasive surgery, the minimally invasive surgery robot used in abdominal surgery has completed "Animal Clinic" test and safety test and is expected to be on the market in the coming years.

As for the "mobile intelligent" industry, HIWIN has cooperated with Tier 1 car parts suppliers to develop key parts needed by "Intelligent Drive" Automatic Auto so as to cope with the next-generation automobile industry where cars drive themselves in the future.

#### 4. Product Competition:

The main competitors of HIWIN's products are from Germany, Japan and mainland China, and HIWIN has long been engaged in developing mechatronics, manufacturing robots and making intelligent mechanical components, so the difference between HIWIN and its competitors of general linear drive products and its competitive edge are already clear. In the future intelligent manufacturing trend, the sensor and the robot will play quite important roles, while HIWIN products have been working towards this since years ago and it has been developing intelligent products, including intelligent screws, linear guideways and industrial robots, which are leading and evolutionary products in the market; the rotary table of the direct drive motor CNC it develops independently is mainly applied to the high precision 5-axis processor, whose key parts use products made by HIWIN, such as DD motor and bearing; by extending its core technology, it not only reduces the manufacturing costs dramatically, but also can provide customers with total solutions and price advantages, improving the competitiveness of the innovation value service together.

Holding on to the management idea of specialization and globalization, HIWIN continues improving the product quality to provide cost-effective products and one-stop service (including pre-sales, sales and after-sales services) so as to create the maximum value for customers.

### (iii) Technology and R&D Overview

HIWIN filed a total of 211 patent applications at home and abroad and obtained 227 letters patents in 2016, and owned 1,372 valid patents at the end of 2016. It ranked 67<sup>th</sup> in Top 100 Patent Certificates, 42<sup>th</sup> in Top 100 Patent Certificates, 55<sup>th</sup> in Top 100 Invention Patent Certificates and 71<sup>st</sup> in Top 100 Invention Patent Applications issued by Intellectual Property Office, MOEA, and was also No.1 in Taiwan's precision machinery field in 2016.

HIWIN sticks in pursuing high-tech invention & innovation; its single axis robot module won iF and Red Dot awards, setting a precedent.

#### 1. R&D Expenses in the Last Year and as of the Publication Date of the Annual Report

Unit: NT\$ 1000

Item	2016	Jan. 1, 2017~March 31, 2017
R&D expenses	931,668	256,344

#### 2. Technologies and Products Developed Successfully in the Last Five Years

Year	Products
2012	1. Development and volume production of high speed ball screws (Super S - E) 2. Specification expansion and volume production of light weight and high speed small linear guideway (TMN) 3. Development and volume production of high tolerance small linear guideway (CMN) 4. Development and volume production of quiet single axis robot SK 5. Specification development of ball screw bearing (BSB) 6. Completed the specification development of the whole series of Crossed Roller Bearing (CRB) 7. Development and test of six-axis articulated robots, spider robots and wafer pick-and-place robots



Year	Products
2013	<ol style="list-style-type: none"> <li>1. Development and volume production of high speed ball screws (Super T)</li> <li>2. Specification expansion and volume production of high speed ball screws (Super S - E)</li> <li>3. Development of automobile ball screws</li> <li>4. Development and volume production of light weight and high speed small linear guideway (TMN)</li> <li>5. Specification expansion and volume production of industrial robot KK series</li> <li>6. Specification expansion and volume production of quiet wide linear guideway QW series</li> <li>7. Development of small integrated single axis robot arm KA060</li> <li>8. Development of Electric Power Steering (EPS) System</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Continuous development and volume production of high speed ball screws (Super T)</li> <li>2. Specification expansion and volume production of Crossed Roller Bearing (CRB) series</li> <li>3. Development of long-stroke single axis robot modules</li> <li>4. Development of short-stroke small screws</li> <li>5. Development of four-row ball DB linear guideway (UG)</li> <li>6. Development of six-row ball linear guideway (SG)</li> <li>7. Specification expansion and volume production of light weight and small wide linear guideway (PMW)</li> <li>8. Specification expansion and volume production of quiet roller linear guideway (QR)</li> <li>9. Volume production of articulated robot arms and parallel robot arms</li> <li>10. Development and volume production of Robotic Gait Training System MRG-P100, which has achieved CE 93/42/EEC certification.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. Development and volume production of the electric gripper, which has achieved CE2006/42/EC certification and RoHS2011/65/EU certification.</li> <li>2. The articulated robot arm RA605 has achieved RoHS2011/65/EU certification and IEC60529 Edition 2.2:2013 IP65 certification.</li> <li>3. Continuous development of and volume production of the whole series of parallel robot arms</li> <li>4. Continuous development and volume production of Robotic Gait Training System</li> <li>5. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 achieved ISO13485 certification.</li> <li>6. Development and volume production of online system- roll-up machine and step platform</li> <li>7. Specification expansion and volume production of external reflux miniature linear guideway (MG-O)</li> <li>8. Specification expansion of six-row ball linear guideway (SG)</li> <li>9. Specification expansion and volume production of low assembly roller linear guideway (RGL)</li> <li>10. Specification expansion and volume production of single axis robot modules</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Development of next generation intelligent ball screws</li> <li>2. Continuous development and pilot volume production of ball screws (Super Z)</li> <li>3. Continuous development and volume production of self-lubricating module (EL) f ball screws</li> <li>4. Development of long-stroke single axis robot module</li> <li>5. Specification expansion and volume production of high speed ball screws (Super T)</li> <li>6. Development and volume production of linear guideway (CG) of high-resistant torque DB</li> <li>7. Continuous development and volume production of self-lubricating oil box (E2)</li> <li>8. Continuous development and volume production of SCARA robot arm RS406, which achieved 2006/42/EC, 2014/35/EU and 2014/30/EU certification</li> <li>9. Development of highly dustproof cover of roller guideway (RG) and linear guideway (CG) of high-resistant torque DB</li> <li>10. Development of spine surgery robot system</li> </ol>

#### (iv) Long and Short-Term Business Development Plan

##### 1. Short-Term Business Development Plan

- (1) Expanding new product promotion to step up to make profits;
- (2) Strengthening the products' modular technology integration;
- (3) Accelerating production automation and expanding production capacity;
- (4) Strengthening the global channel customers management and improving customer mobilization rate;
- (5) Electromechanical integrated marketing and providing robot system service and total solution;
- (6) Building vertical and horizontal marketing networks to match local demand.

## 2. Long-Term Business Development Plan

- (1) Linking local industry pulses based on collaborative design and original service;
- (2) Creating competitive advantages for customers by linking the intelligent service network with intelligent manufacturing;
- (3) Improving the cost performance of electromechanical module products to increase users' additional values.

## ii. Market, Production and Sales Status

### (i) Market Analysis

#### 1. Sales Regions of Major Commodities:

The Company's home sale and export sales accounted for 13% and 87% respectively in 2016; the main regions of export sales are mainland China, Germany, Italy, other countries in Europe, America, Japan, India, South Korea, Turkey, Brazil and ASEAN, etc. Classified by business sites of business units, the Company's revenues from external customers are listed below:

Business Sites of Business Units	2015	2016
Taiwan	10,054,937	9,945,102
Germany	2,196,474	2,282,914
Japan	755,369	884,616
America	790,770	842,388
Others	1,083,498	2,163,278
Total	14,881,048	16,118,298

#### 2. Future Market Supply, Demand and Growth:

Looking ahead to 2017, International Monetary Fund (IMF) predicts the global economic growth rate will be 3.4% and continues to revise up America's growth rate; the report points out the global economy will accelerate in 2017 and 2018 after experiencing slowdown in 2016; however, 2017 will see a higher volatility due to the uncertainties brought by Trump's holding power, raised interest rates and exchange rate changes. The manufacturing industry booms, which is a good opportunity for the key component products of HIWIN; however, the surging demand for capacity coincides with the implementation of the policy "one fixed day off and one flexible rest day" in Taiwan, which will surely increase the labor cost; therefore, factory automation becomes the the

biggest challenge for companies and this is also the greatest opportunity for HIWIN. Compared with that of other companies in the same trade, the advantage of HIWIN is that most robots and equipment components are self-made; it will improve the speed and capacity of intelligent automatic production this year to meet demands of global customers.

With the development of Industry 4.0, the demand for intelligent manufacturing and robot fields will rise rapidly and the demand for various robots in the future will explode. Different research institutions define robot equipment differently; for example, some institutions include automation equipment to calculate the output value. Therefore, Japan Robot Association (JARA), International Federation of Robotics (IFR) and research institutions estimate the future output value of the global robots differently. However, all the institutes estimate that the output value of the global robots will reach about 70 billion dollars in 2018 and the largest quantity demanded will be in mainland China. By producing the most complete range of robots in the world, and with its global layout being in place and its sales channels all over the world, HIWIN is predicted to perform well in 2017.

3. Niche:

- (1) The results of long-term continuous development of new products have come out.
- (2) High capacity of intelligent products and services
- (3) Elastic application ability of product modularization and mechatronics ability
- (4) Horizontal and vertical manufacturing ability and automation width.

4. Advantages and Disadvantages of Development Prospects and the Solutions:

(1) Advantages:

- (1-1) The industry entry barrier is high.
- (1-2) The technology stays ahead.
- (1-3) It has many complete product lines.
- (1-4) It has built brand recognition and generated word of mouth.
- (1-5) The trend of automation is developing rapidly.
- (1-6) Population aging and the shortage of labors are growing problems.

(2) Disadvantages:

- (2-1) Quantity and quality of human resources;
- (2-2) Pressure from depreciation of RMB, Euro and Japanese yen;
- (2-3) Competitors cut prices to steal away the business.
- (2-4) Competitors obtain technologies and capacity through M&A.

(3) Solutions:

- (3-1) Manufacture robots by ourselves to join the production front, improve quality and reduce costs.
- (3-2) Accelerate the reengineering of intelligent automation.
- (3-3) Continue R&D of next-generation intelligent product technology.
- (3-4) Continue to promote certificate examinations of automation engineers.
- (3-5) Continue the cooperative education from vocational high school to university.

## (ii) Important Use and Manufacturing Process of Main Products

### 1. Use of main products:

Currently, the drive control products of the Company are mainly applied to the semiconductor, photoelectric and testing equipment, automation equipment, biochemical and medical equipment, electronic industry, machine tool, solar energy, LED and industrial machinery, etc.

The drive control products of the Company produce low pollution and noise, consume low power, use automatic control and are refined, which corresponds to the rising environmental awareness and the pursuit of high-quality life in the modern society; therefore, the more advanced the industry, the larger the demand.

### 2. Main Manufacturing Process:

#### (1) Ball Screw

Tapping → thermal treatment → thread-cutting → shoulder machining → external diameter processing → precision shaping → test → assemble → inspect

#### (2) Linear Guideway

Thermal treatment → drill hole → precision forming → inspect → assemble → final inspection

## (iii) Supply of Main Raw Materials

Raw Material Name	Countries or Regions	Supply
Steel	Taiwan	Good
Steel	Japan	Good
Steel	Germany	Good
Steel	South Korea	Good

## (iv) Customers with over 10% of gross purchase or gross sales in any year of the last 2 years:

### 1. List of manufacturers with over 10% of gross purchase

Unit: NT\$ 1000

2015				2016				The First Quarter of 2017			
Name	Sum	To Net Purchases %	Relationship with the Issuer	Name	Sum	To Net Purchases %	Relationship with the Issuer	Name	Sum	To Net Purchases %	Relationship with the Issuer
None				None				None			
Net Purchases	7,323,851	100		Net Purchases	6,404,791	100		Net Purchases	1,730,648	100	

Cause of increase or decrease: not applicable.

### 1. List of customers with over 10% of gross sales

Unit: NT\$ 1000

2015				2016				The First Quarter of 2017			
Name	Sum	To Net Sales %	Relationship with the Issuer	Name	Sum	To Net Sales %	Relationship with the Issuer	Name	Sum	To Net Sales %	Relationship with the Issuer

IX Customer	2,011,549	13.5	None	IX Customer	1,795,753	11.1	None	Others	4,299,919	100.0	
Others	12,869,499	86.5		Others	14,322,545	88.9					
Net Sales	14,881,048	100.0		Net Sales	16,118,298	100.0		Net Sales	4,299,919	100.0	

Cause of increase or decrease: no major change.

**(v) Production Quantity and Value of the Last 2 Years**

Unit: NT\$ 1000; 1000

Production Major	Year	2015			2016		
		Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Ball Screw		1,566	1,264	4,171,048	1,635	1,157	3,555,675
Linear Guideway		17,076	15,238	9,489,487	17,730	14,328	8,676,962

**(i) Sales Quantity and Value of the Last 2 Years**

Unit: NT\$ 1000; 1000

Production Major	Year	2015				2016			
		Home Sale		Export Sales		Home Sale		Export Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ball Screw		225	938,700	1,104	2,973,583	199	821,776	1,049	2,777,382
Linear Guideway		657	730,764	14,116	8,076,825	653	708,144	15,893	9,050,890
Others		—	555,465	—	1,605,711	—	533,424	—	2,226,682
Total		—	2,224,929	—	12,656,119	—	2,063,344	—	14,054,954

**iii. Employee Data of the Recent Two Years and Up to the Publication Date**

Year		2015	2016	Jan. 1, 2017~March 31, 2017
Number of Employees (Note 1)	Indirect Employees	1,918	1,999	2,050
	Direct Employees	3,235	3,276	3,283
	Total	5,153	5,275	5,333
Mean Age		32.40	33.36	33.54
Average Length of Service		3.91	4.40	4.73
Education Background (%)	Doctor	0.58	0.53	0.58
	Master	10.21	11.64	11.64
	Junior College	55.79	56.00	55.69
	High School	29.89	27.68	27.40
	Without A High School Diploma	3.53	4.15	4.69

Note 1: including dispatched workers.

Note 2: Information of number of employees, mean age, average length of service and education background include that of the subsidiaries.

## **iv. Information Regarding Expenditure on Environmental Protection**

Information of the Company's environmental safety and health:

- (i) Environmental safety and health management performance
  1. Passed ISO 14001 environmental management system verification in 1997.
  2. Plant I passed OHSAS 18001 Occupational Safety and Health Management System verification in 2002.
  3. Plant I passed Taiwan Occupational Safety and Health Management System (CNS15506) verification in 2008.
  4. Plant I was awarded Outstanding Unit with No Disasters in Working Hours (no disabling injuries for 7,593,510 hours) by Council of Labor Affairs, Executive Yuan in 2011.
  4. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continue to conduct external audit every year.
  5. Ball Screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
  6. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506) verification, and gained Performance Recognition of the Occupational Safety and Health Management System, Ministry of Labor, in 2013.
  7. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
  8. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
  9. Yunke Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.
  10. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed annual certificate changing of TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506).
  11. Plant I and Tanzi Plant passed TUV ISO 50001 in 2016.
- (ii) Air pollution control
  1. According to the stationary pollution source under environmental regulations, the Company has pollution prevention equipment and maintains them regularly to improve their stability and guarantee the exhaust meets regulatory requirements.
  2. The pollutant concentration is detected regularly and below the limits.
- (iii) Water resource and waste water management
  1. There is waste water treatment equipment in every plant, so waste water is treated and discharged into the sewage system after it meets the effluent standard.

2. Every plant applies for water pollution control measure permission according to law and commissions a testing agency recognized by Environmental Protection Administration to detect sewage discharge so as to monitor the discharged water quality effectively; the waste water met the effluent standard in 2016.
3. It carries out a drill according to the wastewater treatment procedure regularly every year to reduce the impact of improper wastewater treatment on the environment.
4. To implement water resource management, Department of Industrial Safety and Environmental Protection calculate tap water consumption monthly to confirm whether the water consumption is normal.
5. As for sanitary sewage, HIWIN sets gray water recovery system in Operational Headquarters and the sanitary sewage recovered is usually used to flush toilets and water green plants; the waste water from the manufacturing process of Yunke Plant II is used in the scrubbing tower after treatment; 14,350 tons of waste water were recovered in 2016.

(iv) Waste management

1. Waste of the Company is usually industrial waste and not harmful. The industrial waste is stored in temporary storage area and then cleared by cleaning agency recognized by Environmental Protection Administration; the Company arranges for someone to follow the cleaning vehicle to the treatment plant occasionally to confirm whether there is leakage on the way or in the plant, or violence of environmental regulations; no violence was found in 2016.
2. It continues to promote waste reduction and conducts educational trainings on waste disposal and resource recovery and classification for new employees and on-the-job trainings for old employees regularly, and performs an audit of waste classification in each unit. Meanwhile, the classification of each department is reported in the meetings to implement waste classification and reduction effectively. The recyclable resources and waste were a total of 6,023 tons in 2016.

(v) Energy management and reduction

1. The Operational Headquarters of HIWIN carried out and built ISO 50001 energy management system in 2014; by means of system implementation and energy audit, it managed energy use effectively, made energy management policies, advocated the energy saving policy and set reduction goals; after actual implementation and improvement, 1.4 million kilowatt-hours (NT\$ 2.9 million) were saved and 855 (tonnes of CO<sub>2</sub>e) carbon dioxide emissions were reduced in 2016.
2. Plant I and Tanzi Plant introduced and passed TUV verification in 2016 and set energy-saving goals, so it's estimated 4 million kilowatt-hours will be saved and 2,200 tonnes of carbon dioxide be reduced in 2017.

Total losses (including compensation) and punishment, and future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, punishment and compensation due to failure to take countermeasures; those not able to be estimated reasonably should be stated clearly) in the last year and as of the publication date of the annual report: not applicable.

## **v. Labor Relations**

### **(i) Employee welfare measures, further education, trainings, retirement system and implementation, labor agreement and employee equity protection measures:**

HIWIN pays great attention to employees; to pursue sustainable operation, create safe, clean and high quality working environment and make employees enjoy work, it joins hands with Taiwan's industry and commerce to promote "Happy Enterprise", paying attention to the balance between employees' work and life. It provides employees with a development platform, cultivates talents positively and offers a good salary and welfare; to make employees have a sound mind and body, it holds activities irregularly, such as mountain climbing and hiking, and holds sports meetings regularly and provides professional health consultation by inviting doctors to plants. It provides employees with diverse communication channels, such as labor meetings, departmental meetings, monthly meetings, opinion boxes and special lines, to listen to their opinions so as to promote harmony between employees and the employer.

Since it's founded, it has listed the employees as the biggest asset, which can show its emphasis on talents; it employs employees fairly and openly, implements gender equality and treats employees equally, regardless of their gender, religion, race, nationality or political party; it respect every talent, and employs the disabled actively to care for them and fulfill corporate social responsibility. To net talents, it provides Research and Development Substitute Services, cooperates with universities and colleges, has internship programs, performs industry-university collaboration and provides opportunities to visit the enterprise.

#### **1. Employee welfare measures:**

##### **(1) Parent Company**

- Employees are entitled to labor insurance, health insurance and periodic health examination.
- The Company provides employees and their dependents with an extra group insurance covering medical treatment, accidents and serious disease to improve their living security.
- It allocates employee benefits and founds an employee welfare committee according to law, and holds various employee welfare activities, such as gift certificates for 3 main festivals and birthday, weddings and funerals subsidy, leisure tourism subsidy, quarterly dinner party subsidy of each department, barbecue before the Mid-Autumn Festival and appointed stores for employees.
- Employees are entitled to a babysitting subsidy of NT\$ 5000 every month for 2 years.
- It praises model employees annually and provides big bonuses to encourage them.
- Considering the economic burden and traffic safety of colleagues from other places, it provides fully functioning and comfortable dormitories.
- It provides employees with the parking lot, canteen, overtime meals and desserts for



free.

- It provides massage to relax and relieve stress for free.
- It holds a sports meeting every May to unite employees.
- It holds a year-end banquet and lottery drawing to appreciate employees' service in the past year.
- It provides employee bonuses based on its business conditions.
- The Articles of Association stipulates that it shall allocate employee bonuses if there is a surplus to make employees and the employer share the operating results.

(2) Subsidiaries

- It carries out employee welfare measures according to local laws and the labor market condition, and hands out performance bonuses based on the business conditions of its subsidiaries.

2. Further education and trainings:

(1) Parent Company

- Excellent talents are the cornerstone of the sustainable operation of an enterprise; to improve employees' ability and quality and maintain the long-term competitive edge, the Company's chairman, general managers and senior managers act as the internal lecturers and it spends tens of millions on employees' educational training every year.
- The Company has a complete training system, including new employee training, core competency training, professional competency training, management competency training and external training, etc. Employees can be trained properly through classroom training, on-the-job training, external training, reading party, lecture, further education, job rotation and project appointment; the training content and methods are diverse and rich.
- For colleagues who want to continue education to take their degrees, it provides tuition subsidy schemes. It has cooperated with schools to open two-year junior college/technical college for colleagues to further their education.

(2) Subsidiaries

- Each subsidiary provides new employee training, core competency training and professional competency training, and gives colleagues opportunities to further their education depending on the situation.

3. Retirement system:

HIWIN has a sound financial system, and establishes pension plans and retirement programs and allocates stable pension and payments according to Labor Standard Laws and Labor Pension Act. It commissions an actuary to provide pension reports regularly so as to ensure the pension balance and guarantee colleagues will be pensionable in the future.

(1) Parent Company

- According to Labor Standard Laws and Labor Pension Act, it has established defined-benefit and defined-contribution pension plans and retirement programs. As

for the former, it allocates 2% of the employee's gross salary every month as the pension fund, which is saved in the special account in Bank of Taiwan in the name of Supervisory Committee of Workers' Retirement Fund; as to the latter, it allocates 6% of the employee's gross salary every month as the pension fund, which is saved in the individual account in Bureau of Labor Insurance.

(2) Subsidiaries

- Each subsidiary implements pension rules according to local laws.

4. Labor agreement and employee equity protection measures

- The Company and its subsidiaries always attaches importance to employee benefits; labor problems are solved through two-way communications; they convene labor meetings regularly to coordinate labor relations, promote employee-employer cooperation and working conditions and plan labor welfare, so the labor relation has been harmonious since the factories were opened and no major labor dispute has occurred.

**(ii) Losses Caused by Labor Disputes in the Last Year and as of the Publication Date of the Annual Report:**

None

**vi. Important Contracts**

April 30, 2017

Contract Nature	Parties	Duration	Main Content	Restrictions
Contract of Factory Lease	Junyuan Enterprises Ltd.	2014.01.01-2017.12.31	Factory Lease	None
	Hequan Mechanical & Electrical Equipment Ltd.	2014.05.01-2016.04.30	Factory Lease	None
	Yiwei Ltd.	2014.06.01-2016.05.31	Factory Lease	None
	Jinyoung Industrial Co. Ltd.	2014.08.01-2016.07.31	Factory Lease	None
	William Tools Co., Ltd.	2014.11.16-2019.11.15	Factory Lease	None
	Lingdong Development Industrial Co., Ltd.	2015.04.15-2016.04.14	Factory Lease	None
	Jia Tien Industrial Co., Ltd.	2015.04.15-2016.04.14	Factory Lease	None
	Taiming Textile Co. Ltd.	2014.06.01-2017.05.31	Factory Lease	None
	Shengtai Precision Machinery Co. Ltd.	2014.07.07-2016.07.06	Factory Lease	None
	Ruixing Machinery Ltd.	2014.12.01-2016.11.30	Factory Lease	None
	Meiju Co. Ltd	2015.05.21-2016.05.20	Factory Lease	None
	Ruizhen Enterprises Ltd.	2015.08.01-2018.07.31	Factory Lease	None
	Jinrishun Co., Ltd.	2016.08.01-2019.02.28	Factory Lease	None
	Zhongying Industrial Co., Ltd.	2016.12.03-2018.02.02	Factory Lease	None
	Hiwin Mikrosystem Corp.	2017.01.01-2017.12.31	Factory Lease	None
Long-Term Loan Contract	Bank of Taiwan	2011.05.23-2018.05.23	Secured Loan	None
	Bank of Taiwan	2011.06.16-2026.06.16	Secured Loan	None
	Bank of Taiwan	2011.12.28-2026.12.28	Secured Loan	None
	Bank of Taiwan	2012.08.22-2027.08.22	Secured Loan	None
	Bank of Taiwan	2012.08.22-2019.08.22	Secured Loan	None
	Bank of Taiwan	2013.10.30-2028.10.30	Secured Loan	None

Contract Nature	Parties	Duration	Main Content	Restrictions
	Bank of Taiwan	2014.06.20-2029.06.20	Secured Loan	None
	Bank of Taiwan	2014.07.21-2029.07.21	Secured Loan	None
	Bank of Taiwan	2014.07.30-2029.07.30	Secured Loan	None
	Bank of Taiwan	2015.03.09-2020.03.09	Secured Loan	None
	Bank of Taiwan	2015.05.04-2022.05.04	Secured Loan	None
	Bank of Taiwan	2015.05.04-2030.05.04	Secured Loan	None
	Bank of Taiwan	2015.05.05-2018.05.05	Secured Loan	None
	Bank of Taiwan	2015.11.24-2020.11.24	Secured Loan	None
	Bank of Taiwan	2015.11.24-2030.11.24	Secured Loan	None
	Bank of Taiwan	2015.11.24-2022.11.24	Secured Loan	None
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	None
	Land Bank of Taiwan	2007.06.04-2020.06.04	Secured Loan	None
	The Export-Import Bank of ROC	2015.08.10-2022.08.10	Secured Loan	None
	Industrial bank of Taiwan	2016.01.26-2020.01.25	Unsecured Loan	None
	KGI Bank	2015.11.13-2017.11.13	Unsecured Loan	None

## **VI. Financial Overview**

### **i. Condensed Balance Sheets and Statements of Income for the Past Five Years**

#### **(i) Condensed Balance Sheet-International Financial Reporting Standards (Consolidated)**

Unit: NT\$ 1000

Item \ Year		2013	2014	2015	2016	Jan. 1, to March 31, 2017
Liquid Assets		10,385,388	12,964,755	13,572,645	11,668,110	11,407,981
Immovable Property, Plant and Equipment		13,902,937	15,258,375	15,930,786	17,796,029	18,142,801
Intangible Assets		18,496	14,473	192,388	192,388	192,388
Other Assets		3,304,167	2,090,160	3,070,400	3,309,998	3,309,686
Total Assets		27,610,988	30,327,763	32,766,219	32,966,525	33,052,856
Liquid Liabilities	Before Distribution	9,818,585	9,974,387	11,526,855	10,656,204	10,979,871
	After Distribution	10,503,901	10,810,980	12,092,340	10,656,204	10,979,871
Non-Current Liabilities		5,996,805	6,681,091	6,738,634	7,510,403	7,173,666
Total Liabilities	Before Distribution	15,815,390	16,655,478	18,265,489	18,166,607	18,153,537
	After Distribution	16,500,706	17,492,071	18,830,974	18,166,607	18,153,537
Equity Attributable to Owners of the Parent Company		11,231,756	12,928,141	13,646,037	14,101,611	14,188,255
Capital Stock		2,538,208	2,614,354	2,692,785	2,746,640	2,746,640
Capital Reserve		308,630	308,630	311,955	308,630	308,630
Retained Earnings	Before Distribution	8,382,764	10,019,718	10,732,921	11,311,874	11,524,182
	After Distribution	7,621,302	9,104,694	10,113,581	11,311,874	11,524,182
Other Equities		2,154	(14,561)	(91,624)	(265,533)	(391,197)
Non-Controlling Equities		563,842	744,144	854,693	698,307	711,064
Total Equity	Before Distribution	11,795,598	13,672,285	14,500,730	14,799,918	14,899,319
	After Distribution	11,110,282	12,835,692	13,935,245	14,799,918	14,899,319

Note: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

**(ii) Condensed Balance Sheet-International Financial Reporting Standards (Individual)**

Unit: NT\$ 1000

Item \ Year		2013	2014	2015	2016
Liquid Assets		9,199,643	10,928,330	10,616,368	9,063,997
Immovable Property, Plant and		13,447,052	13,137,766	13,147,415	14,289,991
Intangible Assets		-	-	-	-
Other Assets		3,493,316	4,196,536	5,990,436	6,332,876
Total Assets		26,140,011	28,262,632	29,754,219	29,686,864
Liquid Liabilities	Before	9,300,080	9,123,638	9,888,427	8,783,530
	After Distribution	9,985,396	9,960,231	10,453,912	8,783,530
Non-Current Liabilities		5,608,175	6,210,853	6,219,755	6,801,723
Total Liabilities	Before	14,908,255	15,334,491	16,108,182	15,585,253
	After Distribution	15,593,571	16,171,084	16,673,667	15,585,253
Equity Attributable to Owners of the Parent Company		Not Applicable	Not Applicable	Not Applicable	Not Applicable
Capital Stock		2,538,208	2,614,354	2,692,785	2,746,640
Capital Reserve		308,630	308,630	311,955	308,630
Retained Earnings	Before	8,382,764	10,019,718	10,732,921	11,311,874
	After Distribution	7,621,302	9,104,694	10,113,581	11,311,874
Other Equities		2,154	(14,561)	(91,624)	(265,533)
Non-Controlling Equities		Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Equity	Before	11,231,756	12,928,141	13,646,037	14,101,611
	After Distribution	10,546,440	12,091,548	13,080,552	14,101,611

Note: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

**(iii) Condensed Balance Sheet-Taiwan's Financial Accounting Standards (Consolidated)**

Unit: NT\$ 1000

Item	Year	Financial Information of the Last Five Years
		2012
Liquid Assets		9,988,454
Fund and Investment		448,610
Fixed Assets		14,556,582
Intangible Assets		15,713
Other Assets		299,862
Total Assets		25,309,221
Liquid Liabilities	Before Distribution	8,736,808
	After Distribution	9,476,091
Long-Term Liabilities		5,952,021
Other Liabilities		242,289
Total Liabilities	Before Distribution	14,931,118
	After Distribution	15,670,401
Capital Stock		2,464,280
Capital Reserve		308,630
Retained Earnings	Before Distribution	7,289,541
	After Distribution	6,550,258
Unrealized Profit (Loss) of Financial Products		(4,536)
Cumulative Translation Adjustment		(81,588)
Net Loss Not Recognized as Pension Costs		(77,324)
Total of Shareholders' Equity	Before Distribution	10,378,103
	After Distribution	9,638,820

Note: The consolidated balance sheet is based on Taiwan's Financial Accounting Standards and audited and certified by accountants.

**(iv) Condensed Balance Sheet-Taiwan's Financial Accounting Standards (Individual)**

<div>Item \ Year</div>		Financial Information of the Last Five Years
		2012
Liquid Assets		8,947,156
Fund and Investment		2,129,112
Fixed Assets		12,844,910
Intangible Assets-Deferred Pension		-
Other Assets		197,776
Total Assets		24,118,954
Liquid Liabilities	Before Distribution	8,550,921
	After Distribution	9,290,204
Long-Term Liabilities		5,430,517
Other Liabilities		238,513
Total Liabilities	Before Distribution	14,219,951
	After Distribution	14,959,234
Capital Stock		2,464,280
Capital Reserve		308,630
Retained Earnings	Before Distribution	7,289,541
	After Distribution	6,550,258
Unrealized Profit (Loss) of Financial Products		(4,536)
Cumulative Translation Adjustment		(81,588)
Net Loss Not Recognized as Pension Costs		(77,324)
Total of Shareholders' Equity	Before Distribution	9,899,003
	After Distribution	9,159,720

Note: The balance sheet of the parent company is based on Taiwan's Financial Accounting Standards and audited and certified by accountants.

**(v) Condensed Consolidated Income Statement -International Financial Reporting Standards (Consolidated)**

Unit: NT\$ 1000

Item \ Year	2013	2014	2015	2016	Jan. 1, to March 31, 2017
Operating Revenue	12,442,866	15,087,336	14,881,048	16,118,298	4,299,919
Operating Margin	4,608,062	5,790,752	5,333,619	5,302,045	1,387,987
Operating Profit and Loss	2,368,870	2,847,835	1,902,617	1,450,907	452,189
Non-Operating Income and Expenses	135,440	63,107	(68,431)	(261,210)	(176,569)
Net Profit Before Tax	2,504,310	2,910,942	1,834,186	1,189,697	275,620
Net Profit of the Term	1,912,824	2,267,350	1,394,559	960,777	198,629
Other Consolidated Profit and Loss of the Term (Net of Tax)	52,406	(22,356)	(91,926)	(173,357)	(125,560)
Total Consolidated Profit and Loss of the Term	1,965,230	2,244,994	1,302,633	787,420	73,069
Net Profits Attributable to Owners of the Parent Company	2,021,585	2,404,906	1,642,238	1,326,815	285,806
Net Profit Attributable to Non-Controlling Equities	(108,761)	(137,556)	(247,679)	(366,038)	(87,177)
Total Consolidated Profit and Loss Attributable to Owners of the Parent	2,073,991	2,382,550	1,551,550	1,152,567	160,142
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(108,761)	(137,556)	(248,917)	(365,147)	(87,073)
Earnings per Share	7.36	8.76	5.98	4.83	1.04

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

**(vi) Condensed Consolidated Income Statement-International Financial Reporting Standards (Individual)**

Unit: NT\$ 1000

Item \ Year	2013	2014	2015	2016
Operating Revenue	10,315,847	12,924,054	12,489,325	12,541,259
Operating Margin	3,474,254	4,517,573	4,242,859	3,975,130
Operating Profit and Loss	2,370,399	2,987,335	2,500,500	2,412,824
Non-Operating Income and Expenses	138,945	(55,165)	(479,752)	(917,680)
Net Profit Before Tax	2,509,344	2,932,170	2,020,748	1,495,144
Net Profit (Loss) of the Term	2,021,585	2,404,906	1,642,238	1,326,815
Other Consolidated Profit and Loss of the Term (Net of Tax)	52,406	(22,356)	(90,688)	(174,248)
Total Consolidated Profit and Loss of the Term	2,073,991	2,382,550	1,551,550	1,152,567



Net Profits Attributable to Owners of the Parent Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net Profit Attributable to Non-Controlling Equities	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per Share	7.36	8.76	5.98	4.83

Note: The individual income statement is based on International Financial Reporting Standards and audited and certified by accountants.

**(vii) Condensed Income Statement-Taiwan's Financial Accounting Standards (Consolidated)**

Item \ Year	Financial Information of the Last Five Years (Note)
	2012
Net Operating Revenue	12,371,951
Realized Operating Margin	4,732,581
Operating Profit	2,773,924
Non-Operating Income and Profit	82,857
Non-Operating Income and Loss	268,394
Consolidated Profit Before Tax	2,588,387
Total Consolidated Net Profit	2,003,195
Basic EPS (NT\$)	7.29

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

**(viii) Condensed Income Statement-Taiwan's Financial Accounting Standards (Individual)**

Item \ Year	Financial Information of the Last Five Years (Note)
	2012
Net Operating Revenue	10,904,360
Realized Operating Margin	3,668,397
Operating Profit	2,581,155
Non-Operating Income and Profit	258,002
Non-Operating Income and Loss	258,909
Profit before Tax from Continuing Operations	2,580,248
Current Net Profit after Tax	2,003,195
Basic EPS (NT\$)	8.13

Earnings per Share (NT\$) after Retroactive Adjustment	7.29
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Note: The income statement of the parent company is based on Taiwan's Financial Accounting Standards and audited and certified by accountants.

### (ix) CPA Name and Audit Opinions of the Last 5 Years

Year	CPA	Name	Audit Opinions
2012	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2013	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2014	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Clean Opinion
2015	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Clean Opinion
2016	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Clean Opinion

## ii. Financial Analyses for the Last Five Years

### (i) International Financial Reporting Standards (Consolidated)

Item \ Year		2013	2014	2015	2016 年	Jan. 1 to March 31, 2017
Financial Structure (%)	Debt Asset Ratio	57.28	54.97	55.74	55.11	54.92
	Ratio of Long Term Capital to Immovable Property, Plant and Equipment	127.98	133.39	133.32	125.37	121.66
Debt-Paying Ability	Liquidity Ratio (%)	105.77	129.98	117.75	109.50	103.9
	Quick Ratio (%)	64.59	88.42	68.81	66.19	62.99
	Interest Protection Multiples	17.80	17.91	11.74	8.43	8.97
Operating Ability	Receivables Turnover Ratio	2.57	2.83	2.61	3.13	3.90
	Average Collection Period	142	129	140	117	94
	Inventory Turnover Ratio	1.93	2.20	1.88	1.98	2.35
	Payables Turnover Ratio	4.17	4.38	4.18	4.75	5.09
	Inventory Conversion Period	189	166	194	184	156
	Immovable Property, Plant and Equipment Turnover Ratio	0.95	1.03	0.95	0.96	0.96
	Total Assets Turnover Ratio	0.47	0.52	0.47	0.49	0.52
Profitability	Return on Assets (%)	7.70	8.31	4.87	3.33	2.75
	Return on Equity (%)	17.31	17.81	9.90	6.56	5.35
	Net Profit Before Tax to Paid-up Capital Ratio (%)	98.66	111.34	68.11	43.31	40.14
	Net Profit Ratio (%)	15.37	15.03	9.37	5.96	4.62
	Earnings per Share (NT\$)	7.36	8.76	5.98	4.83	1.04

Cash Flow (%)	Cash Flow Ratio	26.67	32.15	9.07	41.56	43.81
	Cash Flow Adequacy Ratio (Note 1)	54.46	63.54	43.02	51.73	75.55
	Cash Reinvestment Ratio	10.98	12.45	0.99	17.32	5.45
Degree of Leverage	Degree of Operating Leverage	2.04	2.03	2.84	3.61	3.15
	Degree of Financial Leverage	1.07	1.06	1.10	1.12	1.08
Reasons why each financial ratio has changed by 20% in the last two years: 1. The financial ratios of Interest Protection Multiples and Profitability reduced because the profits this year were less than that of last year. 2. Receivables Turnover Ratio increased mainly because of business growth and because receivables were collected well. 3. Financial ratios of Cash Flow increased mainly because the operating net cash flow of this year increased. 4. Degree of Operating Leverage increased because the operating profit of this year reduced.						

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

## (ii) International Financial Reporting Standards (Individual)

Item \ Year		2013	2014	2015	2016 年
Financial Structure (%)	Debt Asset Ratio	57.03	54.26	54.14	52.5
	Ratio of Long Term Capital to Immovable Property, Plant and Equipment	125.23	145.68	151.10	146.28
Debt-Paying Ability	Liquidity Ratio (%)	98.92	119.78	107.36	103.19
	Quick Ratio (%)	64.18	85.45	69.12	70.16
	Interest Protection Multiples	19.40	20.54	14.72	11.99
Operating Ability	Receivables Turnover Ratio	2.03	2.29	2.15	2.46
	Average Collection Period	180	159	170	148
	Inventory Turnover Ratio	2.24	2.63	2.35	2.51
	Payables Turnover Ratio	3.86	4.22	4.01	4.39
	Inventory Conversion Period	163	139	155	146
	Immovable Property, Plant and Equipment Turnover Ratio	0.81	0.97	0.95	0.91
	Total Assets Turnover Ratio	0.41	0.48	0.43	0.42
Profitability	Return on Assets (%)	8.58	9.30	6.08	4.84
	Return on Equity (%)	19.20	19.91	12.36	9.56
	Net Profit Before Tax to Paid- up Capital Ratio (%)	98.86	112.16	75.04	54.44
	Net Profit Ratio (%)	19.60	18.61	13.15	10.58
	Earnings per Share (NT\$)	7.36	8.76	5.98	4.83
Cash Flow (%)	Cash Flow Ratio	26.59	36.07	24.60	47.02
	Cash Flow Adequacy Ratio(Note 1)	51.33	58.13	52.28	60.94
	Cash Reinvestment Ratio	10.73	13.61	8.04	17.05

Degree of Leverage	Degree of Operating Leverage	1.78	1.73	1.98	1.97
	Degree of Financial Leverage	1.06	1.05	1.06	1.06
Reasons why each financial ratio has changed by 20% in the last two years:					
1. Financial ratios of Profitability reduced mainly because the profits this year were less than that of last year.					
2. Cash Reinvestment Ratio increased because the operating net cash flow of this year increased.					

Note: The individual financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

#### 1, Financial Structure

(1) Debt Asset Ratio =  $\text{Total Liabilities} / \text{Total Assets}$

(2) Ratio of Long Term Capital to Immovable Property, Plant and Equipment =  $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net Amount of Immovable Property, Plant and Equipment}$

#### 2, Debt-Paying Ability

(1) Liquid Ratio =  $\text{Liquid Assets} / \text{Liquid Liabilities}$

(2) Quick Ratio =  $(\text{Liquid Assets} - \text{Inventory} - \text{Upfront Fees}) / \text{Liquid Liabilities}$

(3) Interest Protection Multiples =  $\text{Profit before Income Tax and Interest Expense} / \text{Interest Expense of This Period}$

#### 3, Operating Ability

(1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio =  $\text{Net Sales} / \text{Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)}$

(2) Average Collection Period =  $365 / \text{Receivables Turnover Ratio}$

(3) Inventory Turnover Ratio =  $\text{Cost of Sales} / \text{Average Inventory}$

(4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio =  $\text{Cost of Sales} / \text{Balance of Average Payables of Each Period (Including Payables and Notes Payable from Operating Activities)}$

(5) Inventory Conversion Period =  $365 / \text{Inventory Turnover Ratio}$

(6) Ratio of Long Term Capital to Immovable Property, Plant and Equipment =  $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net amount of Immovable Property, Plant and Equipment}$

(7) Total Assets Turnover Ratio =  $\text{Net Sales} / \text{Total Assets}$

#### 4, Profitability

(1) Return on Assets =  $[\text{Profit and Loss After Tax} + \text{Interest Expense} * (1 - \text{Tax Rate})] / \text{Average Total Assets}$

(2) Return on Equity =  $\text{Profit and Loss After Tax} / \text{Average Net Shareholders' Equity}$

(3) Net Profit Ratio =  $\text{Profit and Loss After Tax} / \text{Net Sales}$

(4) Earnings per Share =  $(\text{Profit And Loss Attributable to the owners of the parent company} - \text{Dividend on Preferred Stock}) / \text{Weighted Average Outstanding Shares}$

#### 5, Cash Flow

(1) Cash Flow Ratio =  $\text{Cash Flow from Operating Activities} / \text{Liquid Liabilities}$

(2) Cash Flow Adequacy Ratio =  $\text{Cash Flow from Operating Activities of the last 5 years} / (\text{Capital Expenditure} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ of the last 5 years}$

(3) Cash Reinvestment Ratio = (Cash Flow from Operating Activities - Cash Dividend) / (Gross Amount of Immovable Property, Plant and Equipment + Permanent Investment + Other Non-liquid Assets + Working Capital)

6, Degree of Leverage

(1) Degree of Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Profit

(2) Degree of Financial Leverage = Operating Profit / (Operating Profit - Interest Expense)

**(iii) Taiwan's Financial Accounting Standards (Consolidated)**

Item \ Year			Financial Information of the Last Five Years (Note)
			2012
Financial Structure (%)	Debt Asset Ratio		58.99
	Permanent Capital to Fixed Assets		112.18
Debt-Paying Ability	Liquidity Ratio (%)		114.33
	Quick Ratio (%)		70.74
	Interest Protection Multiples		25.45
Operating Ability	Receivables Turnover Ratio		3.00
	Average Collection Period		122
	Inventory Turnover Ratio		1.97
	Payables Turnover Ratio		3.36
	Inventory Conversion Period		185
	Fixed Assets Turnover Ratio		0.85
	Total Assets Turnover Ratio		0.49
Profitability	Return on Assets (%)		9.12
	Return on Equity (%)		20.42
	To Paid-up Capital Ratio (%)	Operating Profit	112.57
		Profit Before Tax	105.04
	Net Profit Ratio (%)		16.19
	Basic EPS (NT\$)		7.44
	Earnings per Share (NT\$) after Retroactive Adjustment		7.66
Cash Flow	Cash Flow Ratio		(2.73)

(%)	Cash Flow Adequacy Ratio	42.42
	Cash Reinvestment Ratio	(7.62)
Degree of Leverage	Degree of Operating Leverage	1.78
	Degree of Financial Leverage	1.04

Note: The consolidated financial statement is based on Taiwan's Financial Accounting Standards and audited and certified by accountants.

**(iv) Taiwan's Financial Accounting Standards (Individual)**

Item \ Year		Financial Information of the Last Five Years (Note)
		2012
Financial Structure (%)	Debt Asset Ratio	58.96
	Permanent Capital to Fixed Assets	119.34
Debt-Paying Ability	Liquidity Ratio (%)	104.63
	Quick Ratio (%)	71.14
	Interest Protection Multiples	28.50
Operating Ability	Receivables Turnover Ratio	2.37
	Average Collection Period	154
	Inventory Turnover Ratio	2.78
	Payables Turnover Ratio	3.28
	Inventory Conversion Period	131
	Fixed Assets Turnover Ratio	0.85
	Total Assets Turnover Ratio	0.45
Profitability	Return on Assets (%)	9.32
	Return on Equity (%)	20.93
	To Paid-up Capital Ratio (%)	Operating Profit 104.74
		Profit Before Tax 104.71
	Net Profit Ratio (%)	18.37
	Basic EPS (NT\$)	7.44
	Earnings per Share (NT\$) after Retroactive Adjustment	7.66
Cash Flow (%)	Cash Flow Ratio	1.13
	Cash Flow Adequacy Ratio	47.62
	Cash Reinvestment Ratio	(6.34)
Degree of Leverage	Degree of Operating Leverage	1.70
	Degree of Financial Leverage	1.04

Note: The financial statement of the parent company is based on Taiwan's Financial Accounting Standards and audited and certified by accountants.

- 1, Financial Structure
  - (1) Debt Asset Ratio=Total Liabilities/Total Assets
  - (2) Permanent Capital to Fixed Assets=(Net Shareholders' Equity + Long-Term Liabilities)/Net Fixed Assets
- 2, Debt-Paying Ability
  - (1) Liquid Ratio =Liquid Assets/Liquid Liabilities
  - (2) Quick Ratio =(Liquid Assets-Inventory-Upfront Fees)/Liquid Liabilities
  - (3) Interest Protection Multiples= Net Profit before Income Tax and Interest Expense / Interest Expense of This Period
- 3, Operating Ability
  - (1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio=Net Sales/ Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)
  - (2) Average Collection Period =365/Receivables Turnover Ratio
  - (3) Inventory Turnover Ratio= Cost of Sales /Average Inventory
  - (4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio = Cost of Sales / Balance of Average Payables of Each Period (Including Payables and Notes Payable from Operating Activities)
  - (5) Inventory Conversion Period=365/Inventory Turnover Ratio
  - (6) Fixed Assets Turnover Ratio=Net Sales/ Net Fixed Assets
  - (7) Total Assets Turnover Ratio=Net Sales/Total Assets
- 4, Profitability
  - (1) Return on Assets=[Profit and Loss After Tax +Interest Expense\*(1-Tax Rate)]/Average Total Assets
  - (2) Return on Equity=Profit and Loss After Tax/Average Net Shareholders' Equity
  - (3) Net Profit Ratio =Profit and Loss After Tax/Net Sales
  - (4) Earnings per Share=(Net profit after Tax-Dividend on Preferred Stock)/Weighted Average Outstanding Shares
- 5, Cash Flow
  - (1) Cash Flow Ratio= Cash Flow from Operating Activities /Liquid Liabilities
  - (2) Cash Flow Adequacy Ratio= Cash Flow from Operating Activities of the Last 5 Years / (Capital Expenditure +Inventory Increase+ Cash Dividend) of the Last 5 Years
  - (3) Cash Reinvestment Ratio=( Cash Flow from Operating Activities -Cash Dividend)/( Gross Fixed Assets+ Permanent Investment +Other Capitals+ Working Capital )
- 6, Degree of Leverage
  - (1) Degree of Operating Leverage=(Net Operating Revenue- Variable Operating Costs and Expenses)/Operating Profit
  - (2) Degree of Financial Leverage=Operating Profit/(Operating Profit-Interest Expense)

### **iii. The Audit Committee's Audit Report of the Financial Report for the Past Year**

HIWIN Technologies Corp.

#### **The Audit Committee's Audit Report**

We have checked the Financial Statements 2016 (audited by Yan Xiaofang and Zeng Dongyun from Deloitte & Touche, who issued an audit report with clean opinions on the record), Business Report 2016 and Earning Distribution Plan 2016 prepared by the Board of Directors. In our opinion, all statements and reports referred to above are prepared according to law. This report is submitted in accordance with Article 14.4 of Securities Exchange Act and Article 219 of the Company Law.

HIWIN Technologies Corp.

Convener of the Audit Committee: Jiang Zhenghe

March 22, 2017



**iv. The Financial Report and the Accountant's Audit Report for the Past Year**

Please refer to Appendix i.

**v. Consolidated Financial Statements Audited by CPA for the Past Year**

Please refer to Appendix ii.

**vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status: none.**

## **VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management**

### **i. Financial Status**

#### **(i) Financial Position Analysis**

Unit: NT\$ 1000

Item \ Year	2015	2016	Difference	
			Sum	%
Liquid Assets	13,572,645	11,668,110	(1,904,535)	(14.03)
Fund and Investment	492,654	495,917	3,263	0.66
Immovable Property, Plant and Equipment	15,930,786	17,796,029	1,865,243	11.71
Other Assets	2,770,134	3,006,469	236,335	8.53
Total Assets	32,766,219	32,966,525	200,306	0.61
Liquid Liabilities	11,526,855	10,656,204	(870,651)	(7.55)
Long-Term Liabilities	6,270,302	7,051,379	781,077	12.46
Other Liabilities	468,332	459,024	(9,308)	(1.99)
Total Liabilities	18,265,489	18,166,607	(98,882)	(0.54)
Equity Attributable to Owners of the Parent Company	13,646,037	14,101,611	455,574	3.34
Equity	2,692,785	2,746,640	53,855	2.00
Capital Reserve	311,955	308,630	(3,325)	(1.07)
Retained Earnings	10,732,921	11,311,874	578,953	5.39
Other Equities	(91,624)	(265,533)	(173,909)	189.81
Non-Controlling Equities	854,693	698,307	(156,386)	(18.30)
Total Equity	14,500,730	14,799,918	299,188	2.06

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

#### **(ii) Analysis for the Change over 20%:**

1. Other Equities reduced because the exchange differences relating to translation of foreign financial statements reduced due to the change in exchange rate in this period.

## ii. Financial Performance

### (i) Operating Results Analysis

Unit: NT\$ 1000

Item \ Year	2015	2016	Increased (Decreased) Amount	Rate of Change (%)
Net Operating Revenue	14,881,048	16,118,298	1,237,250	8.31
Operating Costs	9,547,429	10,816,253	1,268,824	13.29
Operating Margin	5,333,619	5,302,045	(31,574)	(0.59)
Operating Expenses	3,431,002	3,851,138	420,136	12.25
Operating Profit	1,902,617	1,450,907	(451,710)	(23.74)
Non-Operating Income and Expenses	(68,431)	(261,210)	(192,779)	281.71
Profit Before Tax	1,834,186	1,189,697	(64,489)	(35.14)
Income Tax Expense	439,627	228,920	(210,707)	(47.93)
Net Profit of This Year	1,394,559	960,777	(433,782)	(31.11)
Other Consolidated Profit and Loss of the Term (Net of Tax)	(91,926)	(173,357)	(81,431)	88.58
Total Consolidated Profit and Loss of the Term	1,302,633	787,420	(515,213)	(39.55)
Net Profits Attributable to Owners of the Parent Company	1,642,238	1,326,815	(315,423)	(19.21)
Net Profit Attributable to Non-Controlling Equities	(247,679)	(366,038)	(118,359)	47.79
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	1,551,550	1,152,567	(398,983)	(25.72)
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(248,917)	(365,147)	(116,230)	46.69

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

### (ii) Analysis for the Change over 20%:

1. Operating Profit, Profit Before Tax, Net Profit of This Year, Total Consolidated Profit and Loss of the Term, Net Profits Attributable to Owners of the Parent Company, Total Consolidated Profit and Loss Attributable to the owners of the parent company: the revenue of this period reduced due to economic depression; the corresponding personnel expenditure and business expense increased due to continuous expansion of the Company; R&D expenditure of new products also increased.
2. Non-Operating Income and Expenses: loss on exchange increased.
3. Income Tax Expense: the net profit before tax of this period decreased, so the estimated income tax expense also decreased.
4. Other comprehensive income of this period: Euro and RMB depreciated this year, resulting in loss on exchange relating to translation of foreign financial statements.

5. Net Profit Attributable to Non-Controlling Equities and Total Consolidated Profit and Loss Attributable to Non-Controlling Equities: the losses on investments of Non-Controlling Equities increased this year.

**(iii) Possible Effects of Expected Sales Quantity and Its Basis on the Company's Future Financial Business and the Company's Counterplan:**

Please refer to "Letter to Shareholders".

### iii. Cash Flow

**(i) Liquidity Analysis of the Last 2 Years**

Item \ Year	2015	2016	Increase (Decrease) Percentage (%)
Cash Flow Ratio (%)	9.07	41.56	358.21
Cash Flow Adequacy Ratio (%)	43.02	51.73	20.24
Cash Reinvestment Ratio (%)	0.99	17.32	1,649.49
Analysis for the Change over 20%:			
Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio increased mainly because the operating net cash flow of this year increased.			

Note: The consolidated financial statement is based on International Financial Reporting Standards.

**(ii) Improvement Plan for Liquidity Shortage: Not Applicable.**

**(iii) Cash Flow Analysis for the Coming Year:**

Unit: NT\$ 1000

Cash Balance at the Beginning of the Year (A)	Estimated Yearly Net Cash Flow from Operating Activities (B)	Estimated Yearly Cash Outflow (C)	Estimated Cash Surplus (Shortage) (A)+(B)-(C)	Remedies for Estimated Cash Shortage	
				Investment Plan	Financial Plan
2,101,898	3,840,756	7,604,372	(1,661,718)	—	Financing

### iv. Effects of Major Capital Expenditure on Financial Business of the Past Year

**(i) Major Capital Expenditure and Capital Source**

Unit: NT\$ 1000

Projects	Actual or Expected Capital Source	Actual or Expected Completion Date	Total Capital Required in 2016 and 2017	Actual Capital Expenditure in 2016 and Planned Capital Expenditure in 2017	
				2016	2017
Building factories	Own funds, financing	2017.12	4,244,894	1,644,894	2,600,000
Purchasing land to build factories	Own funds, financing	2017.12	579,439	189,439	390,000

Increasing production equipment	Own funds, financing	2017.12	4,057,212	2,247,212	1,810,000
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## (ii) Estimated Benefits

The capital expenditure is mainly for capacity expansion for future business growth and vertical integration of the manufacturing process so as to strengthen the quality, the elasticity of the delivery time and the optimum cost competitiveness continuously.

## v. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year

The Company's investment strategy is to strengthen its all-round development in technology, capacity, marketing and customer service and conduct global layout and investment with the goal of mastering key technology, parts and marketing channels, reducing production costs and serving customers nearby.

HIWIN Germany, HIWIN China and Mega Fabs profited in 2016. HIWIN Japan, HIWIN Italy, HIWIN Singapore, HIWIN South Korea and HIWIN America developing their markets gradually and their business showed obvious growth, but there was an annual operating loss due to an increase in related personnel expenditure and management and marketing costs caused by operation expansion; with the benefits from their expanding the market, their revenues and profits are expected to be gradually on the mend in the future. Eterbright Solar Corporation is now improving the turnover rate and expanding the market energetically, and the business status is expected to improve. Apart from being assisted by HIWIN's extensive distribution channels and the supply of machine tool parts, Luren Precision has also developed other types of machine tools, and it is expected to perform well in 2017 through the group's vertical integration and robot applications.

It will also make an evaluation and plan to build subordinate units in other overseas markets at the right time to match up the local real-time sales of the increasing product lines and support agents in various regions.

## vi. Risk Analysis

### (i) Risk Factors: analyze and evaluate the following items in the last year and as of the publication date of the annual report.

1. Impact of interest rate, change in exchange rate and inflation on company profit and loss, the Company's countermeasures

#### (1) Interest Rate:

The Company evaluates the bank lending rate regularly and compares it with the market rate; it keeps close contact with the bank to get a favorable rate, so the interest rate change has no major effects on it.

#### (2) Exchange Rate:

Its revenue in 2016 mainly came from RMB, followed by dollar; its main raw materials and machinery equipment were paid for in dollars, euro and yen; it has been implementing foreign exchange risk management policies of "Assets and Liabilities Management" over the years and also used the forward foreign exchange contract to reduce the exchange rate risk produced by

assets and liabilities. To cope with exchange rate change risk, it collects information regarding to exchange rate changes at any time to know and analyze the exchange movements, interact with the bank well and take proper countermeasures against exchange rate movement to avoid exchange rate risk.

(3) Inflation and Deflation:

It reduces costs through raw materials inventory management, procurement strategy, product design and research innovation of the manufacturing process so that it can cope with environmental changes so as to reduce effects of the external environment.

2. Policies of Engagement in High-Risk and High Leveraged Investment, Lending Funds to Other Parties, Endorsements and Guarantees and Derivatives Transaction, Main Causes for Profits or Losses and Future Countermeasures

(1) The Company has never been engaged in high-risk and high leveraged investment deals.

(2) As of the publication date of the annual report, it has never lent funds to other parties but HIWIN Japan, HIWIN Italy and Eterbright Solar Corporation according to Procedures for Lending Funds to Other Parties and with approval of the Board, and the balance was NT\$ 706,699, 000 at the end 2016.

(3) It made endorsements and guarantees according to Procedures for Endorsements and Guarantees, which was also approved by the Board; it has only done this for its subsidiaries holding 100% of the shares; the balance at the end of 2016 was NT\$ 295,217,000 (9,154,000 dollars); this endorsement and guarantee can effectively reduce subsidiaries' capital increase demand for the parent company and is also beneficial to tax planning.

(4) The Company performs the financial derivatives transaction steadily and conservatively to avoid risks (using actual foreign exchange receipts and payments to avoid actual exchange rate fluctuation risk produced by purchases and sales), and hasn't been engaged in speculative transaction.

3. Future R&D Plan and Estimated R & D Costs

R & D costs in 2016 were NT\$ 931,668,000, accounting for 6% of the revenue. It'll be engaged in R & D positively in the future to lay a solid foundation for a long-term development potential; it develops new products, such as medical robot and various multi-axis robots, and its key items of R&D are listed below:

Plan Title	Current progress	Important factors that decide the success of future R&D
3kg SCARA Robot Arm	In development.	It should be able to be developed smoothly.
0.5kg Delta Robot Arm	In development.	It should be able to be developed smoothly.
Integrated Electric Clamp	In development.	It should be able to be developed smoothly.
Specification Expansion of External Circulation	The specification continues to be expanded according to requirements of customers.	It should be able to be expanded smoothly.
Intelligent Screw Development	Four major intelligent function bases have been built, and the application side is being developed according to	It should be able to be developed smoothly.

	requirements of customers.	
Development of New Structured Ball Linear Guideway	Four specifications have been imported into volume production and the specifications are being expanded.	It should be able to be developed smoothly.
Intelligent Linear Guideway	In development.	It should be able to be developed smoothly.
Development of R-EPS Automobile Screws	Sample submitted for test	It should be able to be developed smoothly.
Walking Training Machine	In development.	It should be able to be developed smoothly.
Transfer Machine for Bath W200	In development.	It should be able to be developed smoothly.
Upper Limb Rehabilitation Robot	In development.	It should be able to be developed smoothly.
Lower Limb Rehabilitation Robot V2.0	In development.	It should be able to be developed smoothly.
Robotic Endoscope Holder	Applying for TFDA and FDA Certifications	It should be able to be developed smoothly.
Robotic Endoscope Holder for ENT Surgery	In development.	It should be able to be developed smoothly.

It's estimated the Company's R&D costs in 2017 will be about NT\$ 1,000,000,000~ NT\$ 1,100,000,000, up 10%~15% from 2016; with the goal of R&D costs accounting for 10% of the revenue, its R&D marches towards Industry 4.0 and the future environmental, green and intelligent automation industry; besides meeting customer requirements, it will continue to integrate the manufacturing processes, reengineer the internal process and reduce costs to expand its competitive advantage in the marketplace.

4. Effects of Changes in Major Policies and Laws at Home and Abroad on the Company's Business and Finance and Its Countermeasures

The Company is a professional maker of drive control and system products, which are key parts and also necessities in the economic development; Changes in major policies and laws at home and abroad have little effects on its business and finance and no such changes have affected its business and finance in the last year and as of the publication date of the annual report. The Company's management team always pays attention to changes in major policies and laws at home and abroad, know the development status and cope with market conditions change to reduce possible adverse effects in the future.

5. Effects of Technology and Industry Changes on the Company's Business and Finance and Its Countermeasures

With the development of Industry 4.0, the demand for intelligent manufacturing and robot fields will rise rapidly and the demand for various robots in the future will explode. Different research institutions define robot equipment differently; for example, some institutions include automation equipment to calculate the output value. Therefore, Japan Robot Association (JARA), International Federation of Robotics (IFR) and research institutions estimate the future output value of the global robots differently. However, all the institutes estimate that the output value of the global robots will reach about 70 billion dollars in 2018. Now the industrial robots are widely used in different industrial production fields, such as charge-in, spraying, welding and assembling and mainly used

in manufacturing industries, such as automobile, electronics, machinery, chemical engineering and food. To meet the demand of population aging and low birth rate for home automation and production automation, the company also launches various medical robots for rehabilitation, care and minimally invasive surgery, etc. Besides, the development of wind power and solar energy led by CO<sub>2</sub> emission reduction and energy saving also expands the industry category of company's client base. By producing the most complete range of robots in the world, and with its global layout being in place and its sales channels all over the world, HIWIN is predicted to perform well in 2017.

The technology and industry evolution aims at promoting human well-being, which coincides with the Company's management ideas. Therefore, it will continue to improve the R&D ability, increase the variety and the added value of the products, combine the long-term development trends of technology and industry and adjust its short-term, mid-term and long-term development strategies in due time to realize the sustainable operation.

#### 6. Effects of Corporate Image Change on Corporate Crisis Management and Its Countermeasures

The Company has a long term commitment to corporate social responsibility, public benefits and educational activities (please refer to iii (v) for details); it has won many awards over the years; it won the 25<sup>th</sup> and the 24<sup>th</sup> "Taiwan Excellence Silver Award" in 2017 and 2016 respectively, and was awarded "Taiwan Corporate Sustainability Awards", "Taiwan Corporate Sustainability Awards-People Development Awards" and the Gold Award of Top 50 Taiwan Corporate Sustainability Reports by Taiwan Institute for Sustainable Energy; all these show the Company has a good corporate image; in case of situations that will change the corporate image, the crisis response team will take necessary countermeasures.

#### 7. Anticipated Benefits, Possible Risks and Countermeasures of Mergers

The Company has conducted no mergers and acquisitions up to the publication date of the annual report.

#### 8. Anticipated Benefits, Possible Risks and Countermeasures of Plant Expansion

Please refer to VII. iv of the annual report. The Company has been laying a solid foundation over the years and built a deep and broad global market network and a good reputation for its brand. In the future, the application area of its products will extend in the trend of computerization, automation, labor-saving technology, energy conservation and environmental protection. It will continue to improve and innovate on its manufacturing process and extend such process forward to reduce the purchasing costs; it's estimated this will improve the gross profit rate and self-sufficiency of raw materials and there will be limited risks.

#### 9. Risks and Countermeasures of Centralized Purchases or Sales

The Company didn't purchase over 10% of its materials from any manufacturer in 2015 or 2016, so centralized purchases didn't exist; the net sales of its largest customer accounted for 11.1% and 13.5% of the annual net sales respectively in 2016 and 2015, which show little change, so centralized sales didn't exist, either.

#### 10. Effects of Huge Transfer or Change of Stock Rights of Directors, Supervisors or Shareholders Holding over 10% of the Shares on the Company, the Risks and Countermeasures



They haven't transferred or changed their stock rights in large quantities in the last year and as of the publication date of the annual report.

11. Effects of the Change of Management Right on the Company, Risks and Countermeasures

The Company's management right hasn't changed in the last year and as of the publication date of the annual report.

12. Litigation & Non Litigation

There have been no litigation & non-litigation cases as of the publication date of the annual report.

13. Other Important Risks and Countermeasures

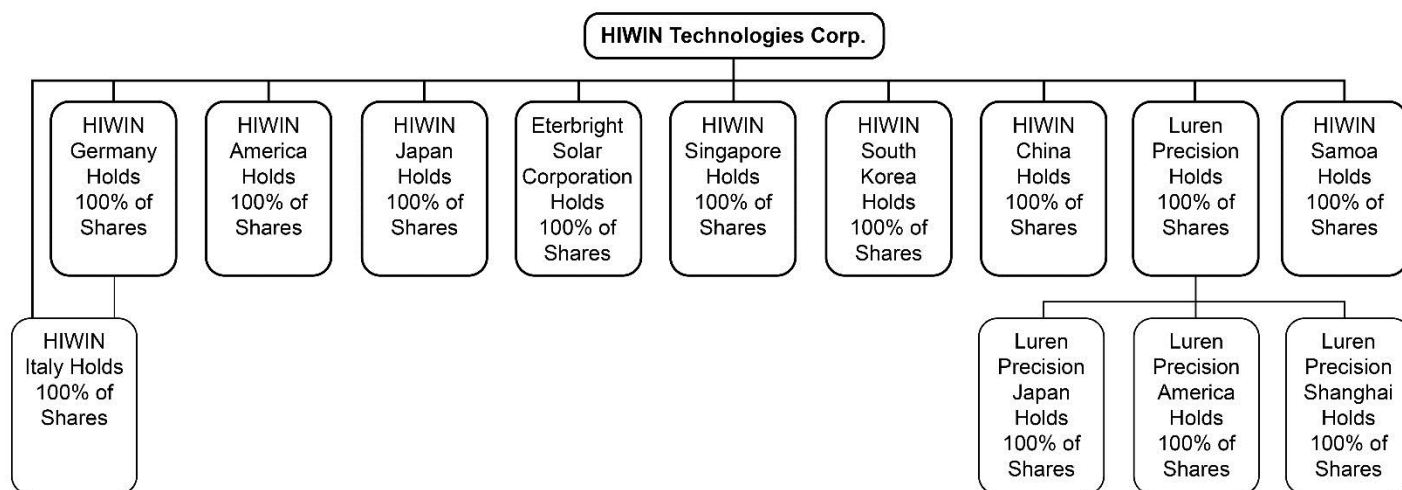
There have been no such risks in the last year and as of the publication date of the annual report.

**vii. Other Important Matters: None.**

## VIII.Special Disclosures

### i. Information on Affiliates

#### (i) Organizational Structure of Affiliates



Note: the organizational structure of affiliates as of April 30, 2017

#### (ii) Basic Information of Affiliates

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
Hiwin Germany GmbH	April 1, 1993	Brücklesbünd 2 D-77654 Offenburg, Germany	EUR12,135,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, U.S.A	Sep. 15, 1992	12455 Jim Dhamer Drive, Huntley, IL 60142, U.S.A.	USD10,740,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, Japan	Nov. 1, 1999	3F, Sannomiya-Chuo Bldg., 4-2-20 Goko-dori, Chuo-ku, Kobe-shi, Hyogo, 651-0087, Japan	JPY440,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Eterbright Solar Corporation	Dec. 1, 2010	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County 351, Taiwan	NTD2,864,915,000	Research, development, design, manufacture and sale of solar cells, electronic components, generation, transmission and power distribution products, etc.

Hiwin Singapore Pte. Ltd.	Aug. 7, 2013	Block 203 Woodlands Avenue 9 #06-51 Woodlands Spectrum II Singapore 738956	SGD5,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Hiwin Corporation, South Korea	Oct. 8, 2013	125-25 Saneop-ro, 156beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do 441-811, Korea	KRW5,000,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Italy	March 29, 2013	RHO (MI) VIA DE GASPERI 85 cap 20017	EUR8,500,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Shanghai	April 8, 2014	No. 59, Weixin Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Luren Precision	May 2, 1994	No. 1-1, Li Hsin 1st Rd., Hsinchu Science Park, Hsinchu City	NTD241,470,520	Development, design, manufacturing and sale of high precision gear cutter and gear lapping machine tool
Hiwin Healthcare Corp., Samoa	April 21, 2015	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sale of medical robots
Luren Precision, Japan	Oct. 23, 2003	O' s 520 ATC Bldg North Wing 5F 2-1-10,Nanko-Kita, Suminoe-KU, OSAKA5590034 JAPAN	JPY25,000,000	Sale of high precision gear cutter and gear lapping machine tool
Luren Precision Chicago Co., Ltd	April 22, 2010	707 REMINGTON ROAD,UNIT1 SCHAUMBURG IL 60173	USD460,000	Sale of high precision gear cutter and gear lapping machine tool
Luren Precision Shanghai	Jan. 9, 2009	B, Floor 6, Building 2, No.401, Caobao Road, Xuhui District, Shanghai	CNY3,010,000	Sale of high precision gear cutter and gear lapping machine tool

Note: the base date of paid-in capital is April 30, 2017.

**(iii) Information of the Same Shareholders of Affiliates Deemed to Be Controlling Corporates and Subsidiary Corporates: None.**

**(iv) The Industries Covered by Business of Affiliates; If Business of Affiliates Is Connected, State the Division of Work:**

The industries covered by business of the Company's affiliates are mainly "Drive Control and System Technology Products Manufacturing Service"; as a whole, the affiliates create the maximum comprehensive benefits through mutual support in technology, capacity, marketing and service, and provide customers with "Global Innovative Value-Added Service" to ensure HIWIN's leading position in the global market.

**(v) Information of Directors, Supervisors and General Managers of Affiliates**

Unit: Shares; %

Company Name	Title	Name or Representative	Number of Shares Held	Shareholding Ratio
Hiwin Corporation, U.S.A	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	2,148,000	100%
	Directors	Hui-Chin Tsai, Zhuo Wenheng, Qiu Shirong	-	-

	General Manager	Qiu Shirong	-	-
Hiwin Germany GmbH	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	Note 1	100%
	General Manager	Werner Mäurer	-	-
Luren Precision, Japan	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	46,200	100%
	Directors	Zhuo Wenheng, Nakada, Huang Lihong	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Huang Lihong	-	-
Eterbright Solar Corporation	Chairman	Representative of HIWIN Investment Corp.: Eric Y. T. Chuo	34,415,559	12%
	General Manager	Lin Mingyao	159,000	0.1%
	Director	Li Xunqin	3,956,918	1.4%
	Director	Zhuo Wenheng	2,119,785	0.7%
	Director	Chen Shaowei	449,784	0.2%
	Director	Zhuo Xiuyu	1,437,275	0.5%
	Supervisor	Representative of HIWIN Technologies Corp.: Wu Yueqin	185,117,877	64.6%
	Supervisor	Liao Kehuang	118,005	0%
HIWIN Italy	Chairman	Representative of HIWIN Technologies Corp.: Zhuo Wenheng	Note 1	100%
	General Manager	Yang Chuangbao	-	-
Hiwin Singapore Pte. Ltd.	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	5,000,000	100%
	Director	Zhuo Wenheng, You Kaisheng, Chen Yongxiang	-	-
	General Manager	Chen Yongxiang	-	-
Hiwin CorpORation, South Korea	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	1,440,000	100%
	Directors	Zhuo Wenheng, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Yang Shengzhi	-	-
Hiwin China	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	Note 1	100%
	Directors	Hui-Chin Tsai, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Peng Yanqi	-	-
Luren Precision	Chairman	Representative of HIWIN Technologies Corp.: Eric Y. T. Chuo	11,352,373	47.01%
	Director	Representative of HIWIN Technologies Corp.: Song Xiande		
	Director	Representative of HIWIN Technologies Corp.: Hui-Chin Tsai		
	Director	Taiwan Gong Ji Chang Co., Ltd.	329,504	1.36%
	Director	All Horng Gear Industry Co., LTD.	1,386,066	5.74%
	Director	Chen Shirui	642,000	2.66%
	Director	Zhuo Wenheng	0	0%
	Supervisor	Zengda Investment Co., Ltd.	1,413,498	5.85%
	Supervisor	Xu Yujun	286,233	1.19%

	General Manager	Chen Shirui	642,000	2.66%
Hiwin Healthcare Corp.	Chairman	Hui-Chin Tsai	100,000	100%
Luren Precision(Japan)	President	Chen Shirui	Note 1	100%
	Vice President	Lin Tianfa		
Luren Precision Chicago Co.,Ltd	Chairman	Chen Shirui	Note 1	100%
	General Manager	Guo Zhiwei		
Luren Precision Shanghai	Chairman	Chen Shirui	Note 1	100%
	General Manager	Hong Qixiong		
Luren Precision Xiamen	Chairman	Chen Shirui	Note 1	100%
	General Manager	Hong Qixiong		

Note 1: unissued shares.

Note 2: data as of April 30, 2017

## (vi) Business Status of Affiliates

Unit: NT\$ 1000

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per Share (NT\$)
Hiwin CorpORation, U.S.A	303,495	874,283	425,139	449,144	827,942	(15,221)	(9,105)	(4.24)
Hiwin Germany GmbH	452,797	1,879,906	680,706	1,199,200	2,329,426	85,815	28,365	Note 1
Luren Precision, Japan	133,278	411,803	428,321	(16,518)	867,817	(181,514)	(185,453)	(4,104.1)
Eterbright Solar Corporation	2,364,915	2,675,542	1,323,454	1,352,088	91,437	(698,547)	(691,442)	(5.02)
HIWIN Italy	309,254	441,809	344,894	96,915	459,518	(79,570)	(72,527)	Note 1
Hiwin Singapore Pte. Ltd.	117,550	63,344	47,202	16,142	61,802	(38,034)	(37,622)	(7.52)
Hiwin CorpORation, South Korea	202,945	158,701	78,410	80,291	150,078	(51,483)	(53,296)	(37.01)
Hiwin China	1,498,040	1,842,964	341,731	1,501,233	1,445,014	123,064	116,223	Note 1
Luren Precision	241,471	951,572	694,644	256,928	475,918	(82,279)	(103,465)	(8.97)
Hiwin Healthcare Corp., Samoa	3,108	9,523	6,328	3,195	12,662	(34)	(31)	-
Luren Precision, Japan	3,571	10,368	8,627	1,741	22,834	(3,396)	(3,651)	7,302.0
Luren Precision Shanghai	14,721	17,017	13,426	3,591	17,131	(7,045)	(7,073)	15.38
Luren Precision Shanghai	4,871	15,857	30,573	14,716	36,587	(6,125)	(6,310)	Note 1
Luren Precision Xiamen (Note 4)	15,104	-	-	-	-	(4,659)	(3,194)	Note 1

Note 1: unissued shares.

Note 2: If the Affiliates are foreign companies, convert the related figures to NT\$ at the rate on the report day:

	Closing Rate	Average Rate
1 USD:	NT\$ 32.250	32.263
1 EUR:	NT\$ 33.90	35.70
1 JPY:	NT\$ 0.2756	0.2972

1 SDG:	NT\$ 22.29	23.37
1 KRW:	NT\$ 0.02701	0.02801
1 CNY:	NT\$ 4.617	4.849

Note 3: the base date of the financial information of Affiliates' business status is Dec. 31, 2016.

Note 4: Luren Precision Xiamen cleared up accounts in June 2016.

**(vii) Consolidated Financial Statements of Affiliates: Please refer to Appendix i.**

**(viii) Related Reports: None.**

**ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date: None.**

**iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date: None.**

**iv. Other Necessary Supplemental Information: None.**

**v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report: None.**

## **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 “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 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, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HIWIN TECHNOLOGIES CORPORATION

By:

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Eric Y. T. Chuo  
President

March 22, 2017

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hiwin Technologies Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Hiwin Technologies Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2016. 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.

Key Audit Matters for the Group's consolidated financial statements for the year ended December 31, 2016 are as follows:

#### **Revenue recognition**

The sales model of the Group mainly relies on distribution channels. Revenue from the sale of goods is recognized when the Group transfers the buyer the significant risks and rewards of the ownership of the goods. There will be a risk that the revenue is recognized when specific conditions have not been satisfied. Because the sales revenue earned through the distribution channels is material to the 2016 consolidated financial statement, sales revenue thereof is identified as a key audit matter. The accounting policy of sales revenue recognition is disclosed in Note 4.

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



1. Understood and tested the design and effectiveness of related internal controls over the acceptance of order and shipping procedures; sampled the sales transactions from distribution channels to verify the receiving of the order to ensure the timing of the revenue recognition is in accordance with the terms of transaction.
2. Performed test over sales contracts and orders of major distributors to ensure that the terms of transaction and the timing of the revenue recognition are in accordance; reviewed and examined the detail of sales returns to ensure whether there was any unusual item during the year and after-date.

#### Impairment assessment of accounts receivable

As of December 31, 2016, the net of notes receivable and trade receivables was \$4,603,817 thousand (net of \$93,729 thousand provision). Since the provision of allowance for doubtful accounts and the recoverability of receivables are subject to the management's judgment and estimation in which uncertainty is involved; the impairment assessment of accounts receivable is identified as a key audit matter.

The accounting policy for the provision of allowance for doubtful accounts and the detail information of receivables are disclosed in Notes 4, 5 and 9.

Our key audit procedures performed in respect of the abovementioned impairment assessment included the followings:

1. Understood and tested related internal controls over the provision of allowance for doubtful accounts to ensure that the controls have been approved and executed appropriately.
2. Obtained and sampled the aging report to verify the accuracy and completeness of the accounts receivables.
3. Evaluated the management's assumptions used in the calculation of the bad debt provision and checked the calculations supporting the amount of provision.
4. Compared the aging of receivables of the current year with those of prior years and reviewed the level of bad debt written off in the current year and those in the prior years to assess the reasonableness of the provision.

#### Impairment assessment of inventory

As of December 31, 2016, the inventory was \$4,457,676 thousand. The inventory is stated at the lower of cost or net realizable value which is subject to the management judgment and estimation in which uncertainty is involved. Therefore, the impairment assessment of inventory is identified as a key audit matter. The accounting policy on the valuation of inventory and the detail information thereof are disclosed in notes 4, 5 and 10.

Our key audit procedures performed in respect of the abovementioned impairment assessment included the followings:

1. Understood and assessed the related internal controls of the valuation of inventory to ensure that the controls have been executed and impairment loss has been approved appropriately.
2. Assessed the reasonableness of the record of inventory provision with reference to aging of inventories and the level of inventory consumed and sold during the year.
3. Obtained the information of net realizable value for the sampling of the selling price and recalculated the net realizable value to verify the completeness and accuracy of the information of net realizable value.
4. Compared the actual sales value of the sampled inventory with the book value to ascertain that the carrying value of the inventory does not exceed the net realizable value.
5. Evaluated the adequacy of provision for obsolete, damaged stock and the condition of inventory during our observation of inventory counts.

#### **Other Matter**

We have also audited the parent company only financial statements of Hiwin Technologies Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report.

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the 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, 2016 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 audit resulting in this independent auditors' report are Hsiao-Fang Yen and Done-Yuin Tseng.

Deloitte & Touche  
Taichung, Taiwan  
Republic of China

March 22, 2017

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 TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,101,898	6	\$ 1,609,363	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	6,347	-	877	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 9)	576,418	2	563,054	1
Notes receivable from related parties, net (Notes 4, 5 and 28)	1,347	-	1,709	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 9)	4,007,952	12	4,889,818	15
Trade receivables from related parties, net (Notes 4, 5 and 28)	18,100	-	24,969	-
Inventories (Notes 4, 5 and 10)	4,457,676	14	5,524,282	17
Other current assets (Notes 6, 14 and 29)	<u>498,372</u>	<u>1</u>	<u>958,573</u>	<u>3</u>
Total current assets	<u>11,668,110</u>	<u>35</u>	<u>13,572,645</u>	<u>41</u>
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Note 4)	3,033	-	3,146	-
Financial assets measured at cost - non-current (Notes 4 and 8)	354,464	1	363,264	1
Investments accounted for using equity method (Notes 4 and 12)	138,420	1	126,244	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	17,796,029	54	15,930,786	49
Goodwill (Notes 4 and 23)	192,388	1	192,388	1
Deferred tax assets (Notes 4 and 21)	247,164	1	199,095	1
Prepayments for machinery and equipment	2,323,606	7	1,920,195	6
Refundable deposits	70,959	-	108,712	-
Long-term prepayments for lease (Note 14)	85,316	-	94,279	-
Other non-current assets (Notes 6, 9, 14, 16 and 29)	<u>87,036</u>	<u>-</u>	<u>255,465</u>	<u>1</u>
Total non-current assets	<u>21,298,415</u>	<u>65</u>	<u>19,193,574</u>	<u>59</u>
TOTAL	<u>\$ 32,966,525</u>	<u>100</u>	<u>\$ 32,766,219</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 29)	\$ 4,721,176	14	\$ 6,129,603	19
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,082	-	2,741	-
Notes payable	10,905	-	6,042	-
Trade payables to unrelated parties	2,078,091	6	2,099,543	6
Trade payables to related parties (Note 28)	163,514	1	191,766	-
Other payables (Note 17)	1,296,836	4	1,209,703	4
Current tax liabilities (Notes 4 and 21)	91,951	-	213,440	1
Current portion of long-term borrowings (Notes 15, 16 and 29)	2,103,196	6	1,512,253	5
Other current liabilities (Note 4)	<u>188,453</u>	<u>1</u>	<u>161,764</u>	<u>-</u>
Total current liabilities	<u>10,656,204</u>	<u>32</u>	<u>11,526,855</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	7,051,379	21	6,127,847	19
Deferred tax liabilities (Notes 4 and 21)	174,895	1	183,975	1
Finance lease payables - non-current (Notes 4, 16 and 29)	-	-	142,455	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	275,387	1	276,925	1
Other non-current liabilities	<u>8,742</u>	<u>-</u>	<u>7,432</u>	<u>-</u>
Total non-current liabilities	<u>7,510,403</u>	<u>23</u>	<u>6,738,634</u>	<u>21</u>
Total liabilities	<u>18,166,607</u>	<u>55</u>	<u>18,265,489</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	2,746,640	9	2,692,785	8
Capital surplus	308,630	1	311,955	1
Retained earnings				
Legal reserve	1,760,342	5	1,596,118	5
Special reserve	91,624	-	14,561	-
Unappropriated earnings	9,459,908	29	9,122,242	28
Other equity	<u>(265,533)</u>	<u>(1)</u>	<u>(91,624)</u>	<u>-</u>
Total equity attributable to owners of the Corporation	14,101,611	43	13,646,037	42
NON-CONTROLLING INTERESTS	<u>698,307</u>	<u>2</u>	<u>854,693</u>	<u>2</u>
Total equity	<u>14,799,918</u>	<u>45</u>	<u>14,500,730</u>	<u>44</u>
TOTAL	<u>\$ 32,966,525</u>	<u>100</u>	<u>\$ 32,766,219</u>	<u>100</u>

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

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
SALES (Notes 4 and 28)	\$ 16,118,298	100	\$ 14,881,048	100
COST OF GOODS SOLD (Notes 10, 20 and 28)	<u>10,816,253</u>	<u>67</u>	<u>9,547,429</u>	<u>64</u>
GROSS PROFIT	<u>5,302,045</u>	<u>33</u>	<u>5,333,619</u>	<u>36</u>
OPERATING EXPENSES (Notes 20 and 28)				
Selling and marketing expenses	1,586,160	10	1,303,754	9
General and administrative expenses	1,333,310	8	1,228,255	8
Research and development expenses	<u>931,668</u>	<u>6</u>	<u>898,993</u>	<u>6</u>
Total operating expenses	<u>3,851,138</u>	<u>24</u>	<u>3,431,002</u>	<u>23</u>
PROFIT FROM OPERATIONS	<u>1,450,907</u>	<u>9</u>	<u>1,902,617</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	73,340	-	61,282	-
Finance costs (Notes 4 and 20)	(160,122)	(1)	(170,793)	(1)
Share of profit of associates accounted for using equity method (Notes 4 and 12)	19,158	-	23,087	-
Interest income (Note 4)	16,399	-	18,728	-
Other income (Note 28)	150,532	1	86,299	-
Net foreign exchange loss (Notes 4 and 31)	(378,412)	(2)	(45,065)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	35,561	-	(5,163)	-
Other expenses	(8,866)	-	(4,114)	-
Impairment loss on property, plant and equipment (Note 4)	-	-	(18,684)	-
Impairment loss on financial assets (Note 4)	<u>(8,800)</u>	<u>-</u>	<u>(14,008)</u>	<u>-</u>
Total non-operating income and expenses	<u>(261,210)</u>	<u>(2)</u>	<u>(68,431)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,189,697	7	1,834,186	12
INCOME TAX EXPENSE (Notes 4 and 21)	<u>228,920</u>	<u>1</u>	<u>439,627</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>960,777</u>	<u>6</u>	<u>1,394,559</u>	<u>9</u>

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (3,697)	-	\$ (14,723)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	3,840	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(209,194)	(1)	(92,958)	-
Unrealized gain on available-for-sale financial assets	-	-	(3)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>35,694</u>	<u>-</u>	<u>15,758</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(173,357)</u>	<u>(1)</u>	<u>(91,926)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 787,420</u>	<u>5</u>	<u>\$ 1,302,633</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,326,815	8	\$ 1,642,238	11
Non-controlling interests	<u>(366,038)</u>	<u>(2)</u>	<u>(247,679)</u>	<u>(2)</u>
	<u>\$ 960,777</u>	<u>6</u>	<u>\$ 1,394,559</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,152,567	7	\$ 1,551,550	11
Non-controlling interests	<u>(365,147)</u>	<u>(2)</u>	<u>(248,917)</u>	<u>(2)</u>
	<u>\$ 787,420</u>	<u>5</u>	<u>\$ 1,302,633</u>	<u>9</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.83</u>		<u>\$ 5.98</u>	
Diluted	<u>\$ 4.82</u>		<u>\$ 5.95</u>	

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Notes 19 and 21)										
	Capital Surplus			Retained Earnings			Other Equity				
	Common Stock	Additional Paid-in Capital	Changes in Percentage of Ownership Interest in Subsidiaries	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
BALANCE AT JANUARY 1, 2015	\$ 2,614,354	\$ 308,630	\$ -	\$ 1,355,627	\$ -	\$ 8,664,091	\$ (14,564)	\$ 3	\$ 12,928,141	\$ 744,144	\$ 13,672,285
Appropriation of 2014 earnings											
Legal reserve	-	-	-	240,491	-	(240,491)	-	-	-	-	-
Special reserve	-	-	-	-	14,561	(14,561)	-	-	-	-	-
Cash dividends - NT\$3.2 per share	-	-	-	-	-	(836,593)	-	-	(836,593)	-	(836,593)
Share dividends - NT\$0.3 per share	78,431	-	-	-	-	(78,431)	-	-	-	-	-
	78,431	-	-	240,491	14,561	(1,170,076)	-	-	(836,593)	-	(836,593)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	362,405	362,405
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	3,325	-	-	(386)	-	-	2,939	(2,939)	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	1,642,238	-	-	1,642,238	(247,679)	1,394,559
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(13,625)	(77,060)	(3)	(90,688)	(1,238)	(91,926)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	1,628,613	(77,060)	(3)	1,551,550	(248,917)	1,302,633
BALANCE AT DECEMBER 31, 2015	2,692,785	308,630	3,325	1,596,118	14,561	9,122,242	(91,624)	-	13,646,037	854,693	14,500,730
Appropriation of 2015 earnings											
Legal reserve	-	-	-	164,224	-	(164,224)	-	-	-	-	-
Special reserve	-	-	-	-	77,063	(77,063)	-	-	-	-	-
Cash dividends - NT\$2.1 per share	-	-	-	-	-	(565,485)	-	-	(565,485)	-	(565,485)
Share dividends - NT\$0.2 per share	53,855	-	-	-	-	(53,855)	-	-	-	-	-
	53,855	-	-	164,224	77,063	(860,627)	-	-	(565,485)	-	(565,485)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	77,253	77,253
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	(3,325)	-	-	(128,183)	-	-	(131,508)	131,508	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	1,326,815	-	-	1,326,815	(366,038)	960,777
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(339)	(173,909)	-	(174,248)	891	(173,357)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	1,326,476	(173,909)	-	1,152,567	(365,147)	787,420
BALANCE AT DECEMBER 31, 2016	\$ 2,746,640	\$ 308,630	\$ -	\$ 1,760,342	\$ 91,624	\$ 9,459,908	\$ (265,533)	\$ -	\$ 14,101,611	\$ 698,307	\$ 14,799,918

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



# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,189,697	\$ 1,834,186
Adjustments for :		
Depreciation expenses	1,488,016	1,353,268
Amortization expenses	31,510	21,756
Impairment loss recognized (reversal of impairment loss) on receivables	(48,815)	11,230
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	(4,265)	1,864
Finance costs	160,122	170,793
Interest income	(16,399)	(18,728)
Write-down of inventories	276,355	112,964
Share of profit of associates accounted for using equity method	(19,158)	(23,087)
Loss on disposal of property, plant and equipment	4,343	2,425
Impairment loss recognized on financial assets	8,800	14,008
Dividend income	(2,356)	(4,210)
Impairment loss recognized on property, plant and equipment	-	18,684
Unrealized foreign currency exchange loss (gain), net	88,506	(58,883)
Other	113	205
Changes in operating assets and liabilities		
Financial instruments held for trading	(1,864)	(13,563)
Notes receivable	(51,228)	(344,374)
Trade receivables	777,693	684,534
Inventories	795,758	(1,315,007)
Other current assets	207,347	(185,390)
Notes payable	4,889	(7,012)
Trade payables	10,115	(35,137)
Other payables	97,026	(295,420)
Other current liabilities	28,039	(42,340)
Net defined benefit liabilities	(5,233)	(4,348)
Cash generated from operations	5,019,011	1,878,418
Interest received	21,305	19,633
Dividend received	2,356	4,210
Interest paid	(160,974)	(165,986)
Income taxes paid	(453,128)	(690,354)
Net cash generated from operating activities	<u>4,428,570</u>	<u>1,045,921</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of available-for-sale financial assets	-	22
Purchase of financial assets measured at cost	-	(25,518)
Net cash outflow on acquisition of subsidiaries (Note 23)	-	(240,853)
Payments for property, plant and equipment	(2,604,124)	(1,444,577)
Proceeds from disposal of property, plant and equipment	13,624	2,040
Decrease (increase) in refundable deposits	36,976	(72,593)
Decrease (increase) in other financial assets	334,125	(10,104)

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Decrease (increase) in other non-current assets	\$ 181,650	\$ (70,127)
Increase in prepayments for machinery and equipment	(1,477,421)	(1,421,718)
Dividend received from associates	<u>3,989</u>	<u>3,263</u>
Net cash used in investing activities	<u>(3,511,181)</u>	<u>(3,280,165)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(1,410,118)	1,638,854
Proceeds from long-term borrowings	3,321,942	2,081,710
Repayments of long-term borrowings	(1,779,721)	(1,667,240)
Repayments of finance lease payable	(2,645)	(17,195)
Increase (decrease) in other non-current liabilities	(146)	5,584
Dividends paid	(565,485)	(836,593)
Changes in non-controlling interests	<u>77,253</u>	<u>239,502</u>
Net cash generated from (used in) financing activities	<u>(358,920)</u>	<u>1,444,622</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(65,934)</u>	<u>(61,021)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	492,535	(850,643)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,609,363</u>	<u>2,460,006</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,101,898</u>	<u>\$ 1,609,363</u>

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

The Corporation was approved by the Securities and Futures Bureau (SFB) to become a public corporation on April 16, 1997. The shares of the Corporation have been listed on the Taiwan Stock Exchange (TSE) since June 26, 2009.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 22, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

<b>New, Amended or Revised Standards and Interpretations (the New IFRSs)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

(Continued)

<b>New, Amended or Revised Standards and Interpretations (the New IFRSs)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

#### Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment loss and reversal of impairment loss and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

#### Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

### 3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

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 the significance of the inputs to the fair value measurement in its entirety, which 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 the 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 the 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 twelve 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 twelve 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).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

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

See Note 11, tables 9 and 10 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual Group entity, 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.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries or associates in other countries or currencies used are different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of the Corporation and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

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. 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. Investment in associates

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

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

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

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

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

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Impairment loss does not form part of carrying amount. Impairment loss is deducted from carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

#### h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method 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 item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### i. 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 is 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 when 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 to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation 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.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

### 3) Derecognition of intangible assets

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

#### k. Impairment of tangible and intangible assets other than goodwill

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

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 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.

#### 1. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

##### i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Held-to-maturity investments

Investment in government bonds in which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable and trade receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as notes receivable, trade receivables and held-to-maturity financial assets, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When receivables are considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable receivables that are written off against the 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

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

#### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

### b) Derecognition of financial liabilities

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

## 3) 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 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 derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

## m. 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 are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

## n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

### 1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

## 2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## o. Leasing

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

### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

## p. Borrowing costs

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



q. Government grants

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

Government grants are recognized in profit or loss 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

r. 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 service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) 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 liability are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents 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.

s. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 liability is settled or the asset 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 tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory 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 was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash on hand	\$ 2,081	\$ 2,558
Checking accounts and demand deposits	1,711,653	1,568,993
Pledged time deposits	81,450	415,875
Cash equivalents		
Time deposits	<u>388,164</u>	<u>37,812</u>
	2,183,348	2,025,238
Less: Pledged time deposits		
Current (classified as other current assets)	(81,450)	(409,667)
Non-current (classified as other non-current assets)	<u>-</u>	<u>(6,208)</u>
	<u>\$ 2,101,898</u>	<u>\$ 1,609,363</u>
<u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-1.76	0.00-5.25
Pledged time deposits	0.17-2.80	0.13-3.35

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets and liabilities at fair value through profit or loss were derivative financial instruments of foreign exchange forward contracts. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount</b>
<u>December 31, 2016</u>			
Sell	EUR/NTD	2017.1.13-2017.3.17	EUR4,500/NTD153,245
Sell	USD/NTD	2017.1.20-2017.2.8	USD700/NTD22,225
Sell	CNY/NTD	2017.1.12-2017.4.28	CNY210,000/NTD959,790
<u>December 31, 2015</u>			
Sell	EUR/NTD	2016.1.22-2016.4.20	EUR4,600/NTD163,682
Sell	USD/NTD	2016.1.4-2016.4.8	USD5,100/NTD166,566
Sell	CNY/NTD	2016.1.4-2016.4.27	CNY49,800/NTD247,762
Buy	JPY/NTD	2016.1.22-2016.3.3	JPY48,000/NTD13,104

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

## 8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

Investee	December 31	
	2016	2015
<u>Domestic unlisted common shares</u>		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 63,440	\$ 63,440
Sunengine Corporation Ltd. (Sunengine)	49,338	58,138
Taichung International Country Club	2,100	2,100
King Kong Iron Work Ltd.	-	-
	<u>114,878</u>	<u>123,678</u>
<u>Overseas unlisted common shares</u>		
Kaland Holdings Corp. (Kaland)	236,266	236,266
Hiwin (Schweiz) GmbH	<u>3,320</u>	<u>3,320</u>
	<u>\$ 354,464</u>	<u>\$ 363,264</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Corporation's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of USD8,168 thousand was made through investing Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very significant range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2016	2015
<u>Notes receivable from unrelated parties</u>		
Notes receivable	\$ 581,491	\$ 610,042
Less: Allowance for impairment loss	(5,073)	(1,208)
Notes receivable discounted	-	(45,780)
	<u>\$ 576,418</u>	<u>\$ 563,054</u>
<u>Trade receivables from unrelated parties</u>		
Trade receivables	\$ 4,096,608	\$ 4,979,039
Less: Allowance for impairment loss	<u>(88,656)</u>	<u>(89,221)</u>
	<u>\$ 4,007,952</u>	<u>\$ 4,889,818</u>

The Group determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables from unrelated parties was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Not past due	\$ 3,762,075	\$ 3,597,947
1-30 days	129,362	364,264
31- 60 days	49,882	155,424
61-120 days	109,924	617,909
121-180 days	23,197	159,510
More than 180 days	<u>22,168</u>	<u>83,985</u>
	<u>\$ 4,096,608</u>	<u>\$ 4,979,039</u>

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

Movements in the allowance for impairment loss recognized on notes receivable and trade receivables were as follows (other receivables are classified as other non-current assets):

	<b>For the Year Ended December 31</b>					
	<b>2016</b>			<b>2015</b>		
	<b>Notes Receivable</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Notes Receivable</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>
Balance at January 1	\$ 1,208	\$ 89,221	\$ 68,776	\$ 1,973	\$ 65,531	\$ 77,367
Acquisitions through business combination	-	-	-	-	4,309	-
Add: Impairment loss recognized (reversed) on receivables	4,059	2,058	(54,932)	(765)	11,995	-
Less: Amounts written off as uncollectable	-	(1,155)	(147)	-	(1,387)	-
Amounts reclassified	-	-	-	-	8,591	(8,591)
Effect of exchange rate changes	<u>(194)</u>	<u>(1,468)</u>	<u>-</u>	<u>-</u>	<u>182</u>	<u>-</u>
Balance at December 31	<u>\$ 5,073</u>	<u>\$ 88,656</u>	<u>\$ 13,697</u>	<u>\$ 1,208</u>	<u>\$ 89,221</u>	<u>\$ 68,776</u>

Trade receivables include amounts that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
1-30 days	\$ 83,049	\$ 329,364
31-60 days	<u>31,011</u>	<u>141,588</u>
	<u>\$ 114,060</u>	<u>\$ 470,952</u>

The aging of trade receivables that were impaired was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
1-30 days	\$ 46,313	\$ 34,900
31-60 days	18,871	13,836
61-120 days	109,924	617,909
121-180 days	23,197	159,510
More than 180 days	<u>22,168</u>	<u>83,985</u>
	<u>\$ 220,473</u>	<u>\$ 910,140</u>

The above aging of trade receivables before deducting the allowance for impairment loss was based on the past due date.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Merchandise	\$ 2,727	\$ 1,781
Finished goods	1,711,965	2,712,651
Work in process	1,202,354	1,099,802
Raw materials and supplies	1,348,301	1,443,385
Inventory in transit	<u>192,329</u>	<u>266,663</u>
	<u>\$ 4,457,676</u>	<u>\$ 5,524,282</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$10,816,253 thousand and \$9,547,429 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 included inventory write-downs of \$276,355 thousand and \$112,964 thousand, and unallocated fixed overhead of \$138,195 thousand and \$164,519 thousand, respectively.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>% of Ownership</b>	
			<b>December 31</b>	
			<b>2016</b>	<b>2015</b>
The Corporation	Hiwin Corporation, U.S.A. (Hiwin USA)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation, Japan (Hiwin Japan)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin GmbH (Hiwin Germany)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100

(Continued)

Investor	Investee	Main Business	% of Ownership December 31	
			2016	2015
The Corporation	Eterbright Solar Corporation (Former named Hulk Energy Technology Co., Ltd.) (Eterbright)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	58	48
	Hiwin Singapore Pte. Ltd. (Hiwin Singapore)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Corporation Co., Ltd. (Hiwin Korea)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Hiwin Technologies (China) Corporation (Hiwin China)	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Luren Precision Co., LTD (Luren)	Research, development, produce, manufacture and sale of gear cutting tools and machinery	47	47
	Hiwin Healthcare Corp. Hiwin S.R.L. (Hiwin Italy)	Sale of medical robot Sale of aerospace parts, ballscrews, linear guideways and industrial robots	100 94	100 -
Hiwin Germany	Hiwin Italy	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	6	100
Luren	Luren Precision (Japan) Inc. (Luren Japan)	Sale of gear cutting tools and machinery	100	100
	Luren Precision Machinery (Shanghai) Co., Ltd. (Luren Shanghai)	Sale of gear cutting tools and machinery	100	100
	Luren Precision Chicago Co., Ltd. (Luren USA)	Sale of gear cutting tools and machinery	100	100
	Luren Precision (Xiamen) Co., Ltd. (Luren Xiamen)	Sale of gear cutting tools	-	100

(Concluded)

Luren Japan and Luren USA are not major subsidiaries; their financial statements have not been audited. The management believes that an audit of the financial statements of Luren Japan and Luren USA would not result in significant impact on the Group's consolidated financial statements.

After the Corporation's adjustment to the structure of the organization of the Group due to the request of the management, the Corporation increased the capital of Hiwin Italy with cash in December 2016 to directly hold 94% of Hiwin Italy. Originally, the Corporation indirectly held of 100% of the shares of Hiwin Italy through Hiwin Germany.

Luren Xiamen completed its liquidation procedures in June 2016.

The Corporation has taken practical control over Luren since May 1, 2015 and included it in the consolidated financial statements.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2016	2015
Eterbright	42%	52%
Luren	53%	53%

See Tables 9 and 10 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2016	2015	2016	2015
Eterbright	\$ (308,877)	\$ (234,231)	\$ 564,496	\$ 664,612
Luren	<u>(53,935)</u>	<u>(14,686)</u>	<u>136,146</u>	<u>190,081</u>
	<u>\$ (362,812)</u>	<u>\$ (248,917)</u>	<u>\$ 700,642</u>	<u>\$ 854,693</u>

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	December 31	
	2016	2015
Current assets	\$ 374,219	\$ 483,174
Non-current assets	2,301,322	1,953,591
Current liabilities	(627,717)	(882,484)
Non-current liabilities	<u>(695,738)</u>	<u>(270,752)</u>
Equity	<u>\$ 1,352,086</u>	<u>\$ 1,283,529</u>
Equity attributable to:		
Owners of Eterbright	\$ 787,590	\$ 618,917
Non-controlling interests of Eterbright	<u>564,496</u>	<u>664,612</u>
	<u>\$ 1,352,086</u>	<u>\$ 1,283,529</u>



	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Revenue	\$ 91,437	\$ 34,232
Net loss for the year	\$ (691,443)	\$ (452,210)
Other comprehensive loss for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	\$ (691,443)	\$ (452,210)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (382,566)	\$ (217,979)
Non-controlling interests of Eterbright	<u>(308,877)</u>	<u>(234,231)</u>
	\$ (691,443)	\$ (452,210)
Net cash inflow (outflow) from:		
Operating activities	\$ (447,795)	\$ (459,718)
Investing activities	(588,886)	(154,424)
Financing activities	<u>973,101</u>	<u>630,906</u>
Net cash inflow (outflow)	\$ (63,580)	\$ 16,764
Dividends paid to non-controlling interests	\$ <u>-</u>	\$ <u>-</u>

Luren and Luren's subsidiaries

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Current assets	\$ 596,876	\$ 530,089
Non-current assets	338,614	203,677
Current liabilities	(637,375)	(324,370)
Non-current liabilities	<u>(41,187)</u>	<u>(50,685)</u>
Equity	\$ 256,928	\$ 358,711
Equity attributable to :		
Owners of Luren	\$ 120,782	\$ 168,630
Non-controlling interests of Luren	<u>136,146</u>	<u>190,081</u>
	\$ 256,928	\$ 358,711

	<b>For the Year Ended December 31, 2016</b>	<b>For the Eight Months Ended December 31, 2015</b>
Revenue	<u>\$ 509,599</u>	<u>\$ 445,960</u>
Net loss for the period	\$ (103,465)	\$ (25,338)
Other comprehensive income (loss) for the period	<u>1,682</u>	<u>(2,337)</u>
Total comprehensive loss for the period	<u>\$ (101,783)</u>	<u>\$ (27,675)</u>
Loss attributable to:		
Owners of Luren	\$ (47,421)	\$ (11,890)
Non-controlling interests of Luren	<u>(56,044)</u>	<u>(13,448)</u>
	<u>\$ (103,465)</u>	<u>\$ (25,338)</u>
Total comprehensive loss attributable to:		
Owners of Luren	\$ (47,848)	\$ (12,989)
Non-controlling interests of Luren	<u>(53,935)</u>	<u>(14,686)</u>
	<u>\$ (101,783)</u>	<u>\$ (27,675)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (60,735)	\$ (99,706)
Investing activities	(174,915)	(20,856)
Financing activities	<u>248,369</u>	<u>153,021</u>
Net cash inflow	<u>\$ 12,719</u>	<u>\$ 32,459</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>\$ -</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Associates that are not individually materials	<u>\$ 138,420</u>	<u>\$ 126,244</u>
	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
The Group's share of:		
Profit for the year	\$ 19,158	\$ 23,087
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 19,158</u>	<u>\$ 23,087</u>

Except for Hiwin S.R.O., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity method accounting or

the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Hiwin S.R.O. that have not been audited.

### 13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2016						
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 3,541,186	\$ 138,976	\$ -	\$ 184,584	\$ (2,666)	\$ 3,862,080
Buildings and improvements	6,095,143	87,803	(4,062)	585,877	(34,551)	6,730,210
Machinery and equipment	10,337,343	468,168	(1,051,191)	1,157,718	(22,833)	10,889,205
Transportation equipment	163,144	28,391	(50,397)	4,537	(4,597)	141,078
Leased assets	185,053	-	-	(181,840)	10	3,223
Leasehold improvements	116,273	4,911	(15,085)	10,650	(2,912)	113,837
Miscellaneous equipment	1,528,297	117,577	(94,131)	26,320	(8,390)	1,569,673
Construction in progress	635,313	1,557,091	-	(714,761)	(14,876)	1,462,767
Prepayments for land	13,084	50,774	-	-	-	63,858
	<u>22,614,836</u>	<u>\$ 2,453,691</u>	<u>\$ (1,214,866)</u>	<u>\$ 1,073,085</u>	<u>\$ (90,815)</u>	<u>24,835,931</u>
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	970,229	\$ 152,650	\$ (4,062)	\$ -	\$ (5,283)	1,113,534
Machinery and equipment	4,935,030	1,169,887	(1,046,992)	-	(5,789)	5,052,136
Transportation equipment	80,344	29,338	(38,418)	-	(1,836)	69,428
Leased assets	1,429	-	-	(1,367)	(23)	39
Leasehold improvements	61,396	17,647	(15,085)	-	(1,356)	62,602
Miscellaneous equipment	635,622	203,442	(92,342)	(329)	(4,230)	742,163
	<u>6,684,050</u>	<u>\$ 1,572,964</u>	<u>\$ (1,196,899)</u>	<u>\$ (1,696)</u>	<u>\$ (18,517)</u>	<u>7,039,902</u>
	<u>\$15,930,786</u>					<u>\$17,796,029</u>

For the Year Ended December 31, 2015							
	Beginning Balance	Acquisitions Through Business Combination	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>							
Land	\$ 3,157,976	\$ -	\$ 37,576	\$ -	\$ 348,793	\$ (3,159)	\$ 3,541,186
Buildings and improvements	5,805,178	89,560	39,674	(2,357)	177,054	(13,966)	6,095,143
Machinery and equipment	9,014,785	573,970	423,482	(268,618)	600,977	(7,253)	10,337,343
Transportation equipment	118,158	4,778	43,606	(9,118)	8,410	(2,690)	163,144
Leased assets	531,494	-	2,189	-	(348,793)	163	185,053
Leasehold improvements	57,717	17,797	5,390	-	35,196	173	116,273
Miscellaneous equipment	1,335,900	68,990	151,660	(38,662)	12,876	(2,467)	1,528,297
Construction in progress	211,700	27,143	590,559	-	(189,092)	(4,997)	635,313
Prepayments for land	-	-	13,084	-	-	-	13,084
	<u>20,232,908</u>	<u>\$ 782,238</u>	<u>\$ 1,307,220</u>	<u>\$ (318,755)</u>	<u>\$ 645,421</u>	<u>\$ (34,196)</u>	<u>22,614,836</u>
<u>Accumulated depreciation and impairment</u>							
Buildings and improvements	784,276	\$ 47,297	\$ 145,944	\$ (2,357)	\$ -	\$ (4,931)	970,229
Machinery and equipment	3,678,298	459,476	1,067,402	(267,140)	(22)	(2,984)	4,935,030
Transportation equipment	60,235	3,852	25,918	(8,643)	148	(1,166)	80,344
Leased assets	1,341	-	36	-	-	52	1,429
Leasehold improvements	24,959	16,570	19,315	-	-	552	61,396
Miscellaneous equipment	<u>425,424</u>	<u>60,213</u>	<u>187,214</u>	<u>(36,150)</u>	<u>(126)</u>	<u>(953)</u>	<u>635,622</u>
	<u>4,974,533</u>	<u>\$ 587,408</u>	<u>\$ 1,445,829</u>	<u>\$ (314,290)</u>	<u>\$ -</u>	<u>\$ (9,430)</u>	<u>6,684,050</u>
	<u>\$ 15,258,375</u>						<u>\$ 15,930,786</u>

The above items of property, plant and equipment, except leased land which is not depreciated, are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and improvements	
Main buildings	25-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-10 years
Transportation equipment	2-10 years
Leasehold improvements	5-15 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

#### 14. PREPAYMENTS FOR LEASE

	December 31	
	2016	2015
Current (classified as other current asset)	\$ 1,828	\$ 1,978
Non-current	<u>85,316</u>	<u>94,279</u>
	<u>\$ 87,144</u>	<u>\$ 96,257</u>

The prepayment for lease is land use right of Hiwin China. Within the land use right usage period, the holder of right has the right of usufruct, ownership transfer and sublease and is responsible for paying taxes and dues levied on the holding and use of the land use right. The leased land is utilized to build manufacturing facilities, research and development center and office buildings.

#### 15. BORROWINGS

##### a. Short-term borrowings

	December 31	
	2016	2015
<u>Secured borrowings</u>		
Loans for export sales	\$ 1,022,316	\$ 1,010,000
Working capital loans	625,592	525,834
Loans for purchasing raw material	38,062	-
Usance letters of credit	<u>35,206</u>	<u>142,747</u>
	1,721,176	1,678,581
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>3,000,000</u>	<u>4,451,022</u>
	<u>\$ 4,721,176</u>	<u>\$ 6,129,603</u>

(Continued)

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	0.80-1.63	0.93-1.03
Working capital loans	1.35-2.55	0.80-2.00
Loans for purchasing raw material	1.48-1.59	-
Usance letters of credit	1.06-1.66	0.61-1.06
Line of credit borrowings	0.92-1.06	0.96-1.89
		(Concluded)

b. Long-term borrowings

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Secured borrowings (Note 29)</u>		
Secured loans	\$ 8,254,075	\$ 7,029,996
<u>Unsecured borrowings</u>		
Unsecured loans	<u>900,500</u>	<u>600,000</u>
	9,154,575	7,629,996
Less: Current portion	<u>(2,103,196)</u>	<u>(1,502,149)</u>
Long-term borrowings	<u>\$ 7,051,379</u>	<u>\$ 6,127,847</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.02-4.45	1.37-4.45
Unsecured loans	0.98-2.10	1.06-1.14

To meet the requirements of long-term financial plans, working capital needs, and capital project expenditures, the Corporation entered into a \$4.3 billion syndicated loan agreement with 13 banks, led by Taiwan Bank, in October 2006. The loan period was from 3 to 10 years, depending on the loan type, starting from the first loan drawdown.

Under the loan agreement, the Corporation commits: (a) current ratio no lower than 100%, debt ratio no higher than 150%, interest coverage ratio at least 150% and tangible net equity ratio at certain level, based on the Corporation's annual unconsolidated financial statements; and (b) not dispose of important assets and rights, buy back treasury stocks, decrease issued capital, merge with other companies, split off or reduce the collaterals unless there is written approval from a majority of the syndicated banks. According to the terms of the loan agreement, in case the Corporation fails to meet the above requirements regarding financial ratios, the Corporation should seek improvement within 6 months based on semiannual unconsolidated financial statements. If the situation did not improve after the evaluation, the Corporation should pay extra interest of 0.25% for the unpaid principal retroactive from the start date of default to the date the deficiency has been resolved. Also, the banks have the rights to call the loan from the Corporation.

The Corporation had repaid in advance the syndicated loans in May, 2015 due to business requirement and capital management.

## 16. FINANCE LEASE PAYABLES

	December 31, 2015
<u>Minimum lease payments</u>	
Not later than 1 year	\$ 12,412
Later than 1 year and not later than 5 years	49,649
Later than 5 years	<u>115,903</u>
	177,964
Less: Future finance charges	<u>(25,405)</u>
Present value of minimum lease payments	<u>\$ 152,559</u>
<u>Present value of minimum lease payments</u>	
Not later than 1 year	\$ 10,104
Later than 1 year and not later than 5 years	43,553
Later than 5 years	<u>98,902</u>
	<u>\$ 152,559</u>

In September 2003, January 2006 and September 2007, the Corporation signed land lease contract with Industrial Development Bureau (IDB), Ministry of Economic Affairs. The parcels of land, measuring 50,683, 18,004 and 5,602 square meters, are located in Yunlin Technology Industrial Park.

Rentals were calculated by annual rental rate based on land market price. The market price was \$9,408, \$10,517 and \$11,409 per square meter on the contract date. The annual rental rates are subject to adjustment twice a year on January 1 and July 1 according to long-term loan interest rate promulgated by the Executive Yuan. The adjustment also takes consumer price index into account annually. The annual rental rate was 4.2% since December 2012.

The aforementioned land lease contract concluded and signed by the Corporation and IDB provides that the first two years' rental would be free, and 60% of the rental for third and fourth years, and 80% for fifth and sixth years will be payable. Moreover, according to the regulations of land leasing in Yunlin Technology Industrial Park, the lease period should be at least for 6 years and should not be longer than 20 years. The Corporation has an option to buy the land from IDB during the period of the lease. Price to be paid will be based on the market price at the contract date and on the Industry Development Fund of this area. However, the rentals paid would be deductible. The implied rates of the three lease contracts are 2.91%, 3.054% and 2.71%, respectively.

On June 2 and December 25, 2015, the Corporation's board of directors had approved the application to purchase the leased land located in Yunlin Technology Industrial Park as described above from the Ministry of Economic Affairs. The total purchase price was \$481,592 thousand and \$255,793 thousand, respectively. The Corporation had paid the remaining amount in August 2015 and April 2016, respectively, after deduction of the paid rentals.

## 17. OTHER PAYABLES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Payable for salaries and bonus	\$ 481,139	\$ 482,135
Payable for purchase of land, building and equipment	171,480	171,999
Payable for annual leave	96,656	80,824
Payable for compensation to employees	93,000	130,788
Payable for remuneration to directors and supervisors	42,771	61,975
Others	<u>411,790</u>	<u>281,982</u>
	<u>\$ 1,296,836</u>	<u>\$ 1,209,703</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation, Eterbright and Luren adopted a pension plan under the Labor Pension Act (the 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.

Hiwin Germany, Hiwin Japan, Hiwin Singapore, Hiwin Korea, Hiwin China, Hiwin Italy, Luren Japan and Luren Shanghai have pension plans which pay for an annuity and certain types of insurance under the local regulations.

Hiwin USA and Luren USA have defined contribution pension plans, which are independently administered.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation and Luren of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and Luren contribute amounts equal to 2% and 4%, respectively 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Present value of defined benefit obligation	\$ 403,760	\$ 404,466
Fair value of plan assets	<u>(128,373)</u>	<u>(127,541)</u>
Net defined benefit liability	<u>\$ 275,387</u>	<u>\$ 276,925</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2015	\$ 304,734	\$ (84,987)	\$ 219,747
Acquisitions through business combination	83,014	(36,331)	46,683
Service cost			
Current service cost	5,397	-	5,397
Net interest expense (income)	7,911	(2,519)	5,392
Recognized in profit or loss	13,308	(2,519)	10,789
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	25,357	(664)	24,693
Actuarial loss - changes in demographic assumptions	2,255	-	2,255
Actuarial gain - experience adjustments	(12,225)	-	(12,225)
Recognized in other comprehensive income	15,387	(664)	14,723
Contributions from the employer	-	(15,017)	(15,017)
Benefits paid	(11,977)	11,977	-
Balance at December 31, 2015	404,466	(127,541)	276,925
Service cost			
Current service cost	5,068	-	5,068
Net interest expense (income)	6,227	(1,999)	4,228
Recognized in profit or loss	11,295	(1,999)	9,296
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(677)	1,013	336
Actuarial loss - changes in demographic assumptions	938	-	938
Actuarial loss - experience adjustments	2,423	-	2,423
Recognized in other comprehensive income	2,684	1,013	3,697
Contributions from the employer	-	(14,531)	(14,531)
Benefits paid	(14,685)	14,685	-
Balance at December 31, 2016	\$ 403,760	\$ (128,373)	\$ 275,387

Through the defined benefit plans under the Labor Standards Law, the Group 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 plan's 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:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rates	1.50%, 1.80%	1.50%, 1.75%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%
Turnover rate	1.29%	1.57%

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

The Corporation

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rate		
0.25% increase	\$ (9,347)	\$ (9,783)
0.25% decrease	\$ 9,745	\$ 10,212
Expected rate of salary increase		
0.25% increase	\$ 9,672	\$ 10,136
0.25% decrease	\$ (9,325)	\$ (9,760)
Turnover rate		
10% increase	\$ (795)	\$ (1,118)
10% decrease	\$ 801	\$ 1,129

Luren

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rate		
0.50% increase	\$ (6,367)	\$ (6,373)
0.50% decrease	\$ 7,064	\$ 7,124
Expected rate of salary increase		
0.50% increase	\$ 6,942	\$ 6,996
0.50% decrease	\$ (6,326)	\$ (6,329)

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
The expected contributions to the plan for the next year	\$ 11,460	\$ 11,501
The average duration of the defined benefit obligation	11.9 years, 16.0 years	12.4 years, 16.3 years

## 19. EQUITY

### a. Common stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	274,664	269,278
Shares issued	<u>\$ 2,746,640</u>	<u>\$ 2,692,785</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

The capital surplus arising from shares issued in excess of par 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 once a year).

Capital surplus arising from changes in percentage of ownership interest in subsidiaries is used to offset a deficit only.

### c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 28, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, setting at most 6% as dividends, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to b. Employee benefits expense, depreciation and amortization expenses in Note 20.

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2015 and 2014 having been approved in the shareholders' meetings on June 28, 2016, and June 25, 2015, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Legal reserve	\$ 164,224	\$ 240,491		
Appropriation special reserve	77,063	14,561		
Cash dividends	565,485	836,593	\$ 2.1	\$ 3.2
Share dividends	53,855	78,431	0.2	0.3

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on March 22, 2017. The appropriations were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 132,682	
Appropriation special reserve	173,909	
Cash dividends	439,462	\$ 1.6
Share dividends	54,933	0.2

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on June 28, 2017.

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Information about capitalized interest

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Capitalized interest	\$ 29,369	\$ 18,735
Capitalization rates	1.33%-1.56%	1.51%-1.65%

### b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<b>For the Year Ended December 31, 2016</b>			
Short-term employee benefits	\$ 2,356,255	\$ 1,674,557	\$ 4,030,812
Post-employment benefits			
Defined contribution plans	80,780	33,499	114,279
Defined benefit plans	8,105	1,191	9,296
Other employee benefits	129,676	50,288	179,964
Depreciation expenses	1,292,993	195,023	1,488,016
Amortization expenses	11,862	19,648	31,510

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<u>For the Year Ended December 31, 2015</u>			
Short-term employee benefits	\$ 2,312,920	\$ 1,453,224	\$ 3,766,144
Post-employment benefits			
Defined contribution plans	93,782	28,586	122,368
Defined benefit plans	8,259	1,778	10,037
Other employee benefits	115,689	36,292	151,981
Depreciation expenses	1,176,857	176,411	1,353,268
Amortization expenses	6,075	15,681	21,756

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting on June, 2016, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Corporation's board of directors on March 22, 2017 and March 26, 2016, respectively, were as follows:

<b>Cash</b>	<b>For the Year Ended December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Employees' compensation	5.3%	\$ 85,543	5.6%	\$ 123,951
Remuneration to directors and supervisors	2.6%	42,771	2.8%	61,975

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 25, 2015 were as follows:

<b>Cash</b>	<b>For the Year Ended December 31, 2014</b>
Bonus to employees	\$ 199,299
Remuneration of directors and supervisors	99,650

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting above and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax		
In respect of the current year	\$ 177,252	\$ 346,737
Income tax of unappropriated earnings	76,799	122,919
Adjustments for prior years	<u>(7,516)</u>	<u>(4,269)</u>
	246,535	465,387
Deferred tax		
In respect of the current year	<u>(17,615)</u>	<u>(25,760)</u>
Income tax expense recognized in profit or loss	<u>\$ 228,920</u>	<u>\$ 439,627</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Income tax expense calculated at the statutory rate	\$ 315,691	\$ 409,731
Nondeductible expenses in determining taxable income	408	479
Tax-exempt income	(79,560)	(68,117)
Others	2,044	(394)
Income tax on unappropriated earnings	76,799	122,919
Investment tax credits used	(60,346)	(56,296)
Loss carryforward used	<u>-</u>	<u>(5,582)</u>
Current tax	255,036	402,740
Unrecognized deductible temporary differences	(18,600)	41,156
Adjustments for prior years' tax	<u>(7,516)</u>	<u>(4,269)</u>
Income tax expense recognized in profit or loss	<u>\$ 228,920</u>	<u>\$ 439,627</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (35,694)	\$ (15,758)
Remeasurement of defined benefit plans	<u>(3,840)</u>	<u>-</u>
	<u>\$ (39,534)</u>	<u>\$ (15,758)</u>

c. Deferred tax assets and liabilities

	<b>For the Year Ended December 31, 2016</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 89,724	\$ (20,483)	\$ -	\$ 69,241
Doubtful debts	18,788	(9,896)	-	8,892
Allowance for inventory devaluation	27,787	16,265	-	44,052
Payable for annual leave	11,415	1,001	-	12,416
Defined benefit obligation	10,336	(166)	3,840	14,010
Impairment loss on financial assets	662	1,496	-	2,158
Provisions	3,461	1,651	-	5,112
FVTPL financial liabilities	317	(317)	-	-
Exchange difference on foreign operations	18,741	-	35,694	54,435
Capitalized expenses	7,189	(7,189)	-	-
Deferred expenses	4,294	12,355	-	16,649
Unrealized foreign currency exchange loss	-	13,426	-	13,426
Others	<u>6,381</u>	<u>392</u>	<u>-</u>	<u>6,773</u>
	<u>\$ 199,095</u>	<u>\$ 8,535</u>	<u>\$ 39,534</u>	<u>\$ 247,164</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 144,110	\$ 1,724	\$ -	\$ 145,834
Unrealized cost of goods sold	11,068	(11,068)	-	-
Unrealized foreign currency exchange gain	10,347	(10,215)	-	132
Depreciation expenses	2,462	(2,462)	-	-
Intangible assets	6,694	210	-	6,904
Others	<u>9,294</u>	<u>12,731</u>	<u>-</u>	<u>22,025</u>
	<u>\$ 183,975</u>	<u>\$ (9,080)</u>	<u>\$ -</u>	<u>\$ 174,895</u>

**For the Year Ended December 31, 2015**

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 74,008	\$ 15,716	\$ -	\$ 89,724
Doubtful debts	15,298	3,490	-	18,788
Allowance for inventory devaluation	16,092	11,695	-	27,787
Payable for annual leave	10,603	812	-	11,415
Defined benefit obligation	10,406	(70)	-	10,336
Impairment loss on financial assets	1,564	(902)	-	662
Provisions	5,896	(2,435)	-	3,461
FVTPL financial liabilities	3,925	(3,608)	-	317
Exchange difference on foreign operations	2,983	-	15,758	18,741
Capitalized expenses	6,172	1,017	-	7,189
Deferred expenses	-	4,294	-	4,294
Others	<u>7,044</u>	<u>(663)</u>	<u>-</u>	<u>6,381</u>
	<u>\$ 153,991</u>	<u>\$ 29,346</u>	<u>\$ 15,758</u>	<u>\$ 199,095</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 139,700	\$ 4,410	\$ -	\$ 144,110
Unrealized cost of goods sold	7,974	3,094	-	11,068
Unrealized foreign currency exchange gain	27,033	(16,686)	-	10,347
Depreciation expenses	2,754	(292)	-	2,462
Intangible assets	-	6,694	-	6,694
Others	<u>2,928</u>	<u>6,366</u>	<u>-</u>	<u>9,294</u>
	<u>\$ 180,389</u>	<u>\$ 3,586</u>	<u>\$ -</u>	<u>\$ 183,975</u>

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

	<b>December 31 2016</b>	<b>2015</b>
Investment loss	\$ 442,703	\$ 519,309
Deductible temporary difference	344,206	135,003
Loss carryforwards	<u>2,405,221</u>	<u>1,562,455</u>
	<u>\$ 3,192,130</u>	<u>\$ 2,216,767</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2016 comprised of:

<b>Investee</b>	<b>Unused Amount</b>	<b>Expiry Year</b>
Eterbright	\$ 1,536,537	2021-2026
Hiwin Japan	503,399	2018-2025
Luren	175,928	2023-2026
Hiwin Korea	107,784	2023-2026
Hiwin Singapore	<u>81,573</u>	Unlimited duration
	<u>\$ 2,405,221</u>	

f. Information about tax-exemption

As of December 31, 2016, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

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

g. Integrated income tax

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unappropriated earnings		
Generated before January 1, 1998	\$ -	\$ -
Generated on and after January 1, 1998	<u>9,459,908</u>	<u>9,122,242</u>
	<u>\$ 9,459,908</u>	<u>\$ 9,122,242</u>
Imputation credits account	<u>\$ 1,842,316</u>	<u>\$ 1,752,462</u>

The creditable ratio for distribution of earnings of 2016 and 2015 was 20.23% (expected ratio) and 21.20%, respectively.

h. Income tax assessments

The tax returns of the Corporation, Eterbright and Luren through 2014, 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, 2016</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,326,815	274,664	<u>\$4.83</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>770</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,326,815</u>	<u>275,434</u>	<u>\$4.82</u>

### For the Year Ended December 31, 2015

Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,642,238	274,664	<u>\$5.98</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>1,472</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,642,238</u>	<u>276,136</u>	<u>\$5.95</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 3, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

**Unit: NT\$ Per Share**

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 6.10</u>	<u>\$ 5.98</u>
Diluted earnings per share	<u>\$ 6.07</u>	<u>\$ 5.95</u>

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

## 23. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Luren	Research, development, produce, manufacture and sale of gear cutting tools and machinery	April 30, 2015	48	<u>\$ 294,145</u>

Luren was acquired in order to obtain the key technique of products.

### b. Assets acquired and liabilities assumed at the date of acquisition

Current assets	
Cash and cash equivalents	\$ 53,292
Trade and other receivables	114,248
Inventories	221,899
Other current assets	18,797
Non-current assets	
Plant and equipment	194,830
Deferred tax assets	6,877
Other non-current assets	5,776
Current liabilities	
Short-term borrowings	(126,325)
Trade and other payables	(117,941)
Other current liabilities	(78,546)
Non-current liabilities	
Long-term borrowings	(8,325)
Deferred tax liabilities	(148)
Other non-current liabilities	<u>(48,048)</u>
	<u>\$ 236,386</u>

### c. Goodwill arising on acquisition

Consideration transferred	\$ 294,145
Less: Fair value of identifiable net assets acquired	<u>(116,230)</u>
Goodwill recognized on acquisition	<u>\$ 177,915</u>

Goodwill is the control premium obtained when Luren was acquired. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	\$ 294,145
Less: Cash and cash equivalent balances acquired	<u>(53,292)</u>
	<u>\$ 240,853</u>

## 24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 22 and March 31, 2016, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 48% to 58%.

On May 4, 2015, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 48.17% to 48.22%.

On June 17, 2015, the Corporation subscribed for additional new shares of Luren at a percentage different from its existing ownership percentage, reducing its continuing interest from 48% to 47%.

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

## 25. OPERATING LEASE ARRANGEMENTS

The Group's future minimum lease payments on factory building, inventory warehouse and employee dormitory based on operating lease agreements are as follows:

Year	Amount
2017	\$ 130,495
2018	97,631
2019	68,667
2020	42,268
2021	<u>43,040</u>
	<u>\$ 382,101</u>

## 26. CAPITAL MANAGEMENT

To support the need to expand and enhance the plant and equipment, the Group has to maintain appropriate amount of capital. Therefore, the capital management of the Group focuses on ensuring that it has the necessary financial resources and operation plans to support operating funds, capital expenditure, research and development, repayment of debt and dividend payment in the future 12 months.

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

## 27. FINANCIAL INSTRUMENTS

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

#### 1) Fair value hierarchy

The Group's financial assets and liabilities at fair value through profit or loss are measured at fair value using Level 2 inputs.

There were no transfers between Level 1 and 2 in the current and prior periods.

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

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

### b. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss	\$ 6,347	\$ 877
Loans and receivables	6,776,674	7,197,625
Held-to-maturity financial assets	3,033	3,146
Financial assets measured at cost	354,464	363,264
<u>Financial liabilities</u>		
Fair value through profit or loss	2,082	2,741
Amortized cost	17,425,097	17,419,212

The balance included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties) and refundable deposits.

The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including from related parties), other payables, long-term borrowings, and finance lease payables.

### c. Financial risk management objectives and policies

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

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

# 1) Market risk

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

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

## a) Foreign currency risk

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

Net investment in foreign operations is a strategic investment. Therefore, the Group does not hedge its investment in foreign operations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

### Sensitivity analysis

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

The sensitivity analysis of foreign currency risk used in reporting foreign currency risk internally to key management personnel mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 1% increase movement in the levels of the NTD against the relevant foreign currency, the post-tax losses for the years ended December 31, 2016 and 2015 would have decreased by \$37,028 thousand and \$46,263 thousand, respectively.

## b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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.

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Fair value interest rate risk		
Deposits in bank	\$ 469,613	\$ 453,687
Finance lease payables	-	152,559
Short-term borrowings	36,798	284,311

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash flow interest rate risk		
Deposits in bank	\$ 1,592,991	\$ 1,427,508
Short-term borrowings	4,684,378	5,845,292
Long-term borrowings	9,154,575	7,629,996

#### Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2016 and 2015 would decrease by \$101,641 thousand and \$99,997 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the counterparties are reputable organizations; thus, the Group is not expected to have a significant credit risk.

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

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables consisted of a large number of customers, spread across diverse industries. On-going credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 82% and 86% of the total trade receivables as of December 31, 2016 and 2015, respectively.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Group had available unutilized bank loan facilities of \$ 7,412,944 thousand and \$4,805,654 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.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>December 31, 2016</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,549,346	\$ -	\$ -
Fixed interest rate liabilities	36,798	-	-
Variable interest rate liabilities	<u>6,787,574</u>	<u>5,030,810</u>	<u>2,024,744</u>
	<u>\$ 10,373,718</u>	<u>\$ 5,030,810</u>	<u>\$ 2,024,744</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,082</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2015</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,507,054	\$ -	\$ -
Finance lease liabilities	10,104	43,553	98,902
Fixed interest rate liabilities	284,311	-	-
Variable interest rate liabilities	<u>7,347,441</u>	<u>3,820,783</u>	<u>2,307,064</u>
	<u>\$ 11,148,910</u>	<u>\$ 3,864,336</u>	<u>\$ 2,405,966</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,741</u>	<u>\$ -</u>	<u>\$ -</u>

## 28. 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 below.

### a. Operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
1) Sales of goods		
Associates	\$ 155,904	\$ 146,206
Others	<u>64,340</u>	<u>88,315</u>
	<u>\$ 220,244</u>	<u>\$ 234,521</u>

Due to the specific differences of the products, the selling prices for related parties and those for third parties are not comparable. The selling price is primarily quoted at cost plus a reasonable margin according to the market price.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2016</b>	<b>2015</b>
2) Purchases of goods		
Others	\$ 582,744	\$ 584,357
Associates	<u>-</u>	<u>47</u>
	<u>\$ 582,744</u>	<u>\$ 584,404</u>

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

3) Other operating transactions

	<b><u>For the Year Ended December 31</u></b>	
	<b>2016</b>	<b>2015</b>
Non-operating income-dividend income (classified as other revenue)		
Others	<u>\$ 848</u>	<u>\$ 1,468</u>
Manufacturing and operating expenses		
Others	\$ 6,712	\$ 5,980
Associates	<u>4,990</u>	<u>3,245</u>
	<u>\$ 11,702</u>	<u>\$ 9,225</u>
Operating expenses - donations		
Others	<u>\$ 10,863</u>	<u>\$ 15,710</u>
	<b><u>December 31</u></b>	
	<b>2016</b>	<b>2015</b>

4) Notes receivable

Others	<u>\$ 1,347</u>	<u>\$ 1,709</u>
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5) Trade receivables

Associates	\$ 13,396	\$ 13,525
Others	<u>4,704</u>	<u>11,444</u>
	<u>\$ 18,100</u>	<u>\$ 24,969</u>

6) Trade payables

Others	<u>\$ 163,514</u>	<u>\$ 191,766</u>
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- b. Property, plant and equipment acquired

	<b>Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Others	\$ <u>4,997</u>	\$ <u>3,750</u>

- c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Short-term employee benefits	\$ 206,512	\$ 212,686
Post-employment benefits	1,108	1,007
Other long-term employee benefits	<u>2,195</u>	<u>2,122</u>
	<u>\$ 209,815</u>	<u>\$ 215,815</u>

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for capital lease of land, short-term and long-term bank loans, lawsuit and guarantee of customs duties:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Property, plant and equipment	\$ 12,374,868	\$ 12,385,799
Pledge deposits	<u>81,449</u>	<u>415,875</u>
	<u>\$ 12,456,317</u>	<u>\$ 12,801,674</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- As of December 31, 2016 and 2015, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$504,409 thousand and \$129,736 thousand, respectively.
- As of December 31, 2016 and 2015, the Group had a commitment to buy property, plant and equipment for \$2,721,520 thousand and \$2,863,966 thousand, respectively.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2016			December 31, 2015		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 25,835	32.25	\$ 833,166	\$ 35,303	32.825	\$ 1,158,820
EUR	23,931	33.9	811,275	18,910	35.88	678,503
JPY	1,170,446	0.2756	322,575	1,405,818	0.2727	383,367
CNY	600,051	4.617	2,770,437	752,781	4.995	3,760,143
Non-monetary items						
USD	8,168	32.25	263,418	8,168	32.825	268,115
ILS	7,446	8.350	62,172	6,175	8.427	52,042
<u>Financial liabilities</u>						
Monetary items						
USD	3,428	32.25	110,548	3,643	32.825	119,594
EUR	1,516	33.9	51,386	1,473	35.88	52,861
JPY	386,290	0.2756	106,461	853,676	0.2727	232,798
CNY	1,707	4.617	7,879	359	4.995	1,791

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

Foreign Currencies	For the Year Ended December 31			
	2016		2015	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	\$ (375,836)	1 (NTD:NTD)	\$ (47,698)

### 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)

- 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 6)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
  - 9) Trading in derivative instruments. (Notes 7 and 27)
  - 10) Intercompany relationships and significant intercompany transactions. (Table 8)
  - 11) Information on investees. (Table 9)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 10)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 6 and 8)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
    - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

### 33. SEGMENT INFORMATION

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

a. Segment revenues and results

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

	Year Ended December 31			
	Segment Revenue		Segment Profit	
	2016	2015	2016	2015
Linear guideways	\$ 9,759,034	\$ 8,807,589	\$ 1,782,628	\$ 1,522,990
Ballscrews	3,599,158	3,912,283	196,991	404,656
Others	<u>2,760,106</u>	<u>2,161,176</u>	<u>(528,172)</u>	<u>(25,029)</u>
Total from continuing operations	<u>\$ 16,118,298</u>	<u>\$ 14,881,048</u>	1,450,907	1,902,617
Subsidy revenue			51,651	61,282
Finance costs			(160,122)	(170,793)
Share of profit of associates accounted for using equity method			19,158	23,087
Interest income			16,399	18,728
Other income			172,221	86,299
Net foreign exchange loss			(378,412)	(45,065)
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss			35,561	(5,163)
Other expenses			(8,866)	(4,114)
Impairment loss on plant, property and equipment			-	(18,684)
Impairment loss on financial assets			<u>(8,800)</u>	<u>(14,008)</u>
Profit before income tax			<u>\$ 1,189,697</u>	<u>\$ 1,834,186</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2016 and 2015.

Segment profit represented the profit before tax earned by each segment without subsidy revenue, finance costs, share of profit of associates accounted for using equity method, interest income, other income, net foreign exchange loss, valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss, other expenses, impairment loss on plant, property and equipment, impairment loss on financial assets 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 four principal geographical areas - Taiwan, Germany, Japan, and USA.

The Group's revenue from continuing operations from external customers 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	
	2016	2015	2016	2015
Taiwan	\$ 9,945,102	\$ 10,054,937	\$ 18,943,485	\$ 17,606,682
Germany	2,282,914	2,196,474	993,063	886,954
Japan	884,616	755,369	25,895	14,898
USA	842,388	790,770	406,923	35,745
Others	<u>2,163,278</u>	<u>1,083,498</u>	<u>486,464</u>	<u>254,666</u>
	<u>\$ 16,118,298</u>	<u>\$ 14,881,048</u>	<u>\$ 20,855,830</u>	<u>\$ 18,798,945</u>

d. Information about major customers

Names	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Customer A	\$ 1,939,816	12	\$ 2,098,539	14
Customer B	1,794,894	11	1,047,972	7
Customer C	1,098,841	7	793,157	5

**TABLE 1**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts (Note 5)	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 100,000	\$ -	\$ -	1.74%	1	Sales \$496,695 Purchases 2,445	-	\$ -	-	\$ -	\$ 1,410,161	\$ 4,230,483
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	206,402	76,699	76,699	1.74%	1	Sales 325,198	-	-	-	-	1,410,161	4,230,483
0	The Corporation	Eterbright	Other receivables from related parties	Yes	780,000	630,000	439,000	1.74%	2	-	Operating capital	-	Promissory note and equipment	630,000	1,410,161	4,230,483

Note 1: The total amount for lending to a company for funding shall not exceed 10% of the net assets of the Corporation in the latest financial report. In addition, the total amount of lending to any one borrower shall not be more than the borrower’s paid-in capital. The above restriction does not apply to the offshore subsidiaries whose voting shares are 100% owned, directly or indirectly.

Note 2: Nature of the loan funds:  
1. Business relationship.  
2. Necessary for short-term financing.

Note 3: For the financing provided by each subsidiary, the maximum amount should not exceed 30% of the Corporation’s net assets as shown in its latest financial statements.

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

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

**TABLE 2**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars and Foreign Currency)**

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	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	Hiwin USA	Subsidiary	\$ 1,410,161	\$ 230,717 (USD 7,154)	\$ 230,717 (USD 7,154)	\$ 10,374 (USD 322)	\$ -	2	\$ 4,935,564	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	1,410,161	32,250 (USD 1,000)	32,250 (USD 1,000)	20,801 (USD 645)	-	-	4,935,564	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	1,410,161	64,500 (USD 2,000)	32,250 (USD 1,000)	-	-	-	4,935,564	Yes	-	-

Note 1: The maximum is 10% of the net assets of the Corporation as shown in the latest financial statements.

Note 2: The maximum amount of the total guarantee is 35% of the Corporation’s net assets as shown in its latest financial statements.

Note 3: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on December 31, 2016.

**TABLE 3**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2016**

**(In Thousands of New Taiwan Dollars and Foreign Currency)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 1)	
The Corporation	<u>Capital stock</u>							
	Kaland	-	Financial assets measured at cost - non-current	389	\$ 236,266	19	\$ 283,996	
	Sunengine	-	Financial assets measured at cost - non-current	6,203,093	49,338	10	49,434	
	Hiwin Mikrosystem	-	Financial assets measured at cost - non-current	8,610,420	63,440	9	168,859	
	Taichung International Country Club	-	Financial assets measured at cost - non-current	1	2,100	-	-	
	King Kong Iron Work Ltd.	-	Financial assets measured at cost - non-current	76,300	-	-	-	
Hiwin Germany	<u>Share capital</u>							
	Hiwin (Schweiz) GmbH	-	Financial assets measured at cost - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

Note 1: For companies with stocks that have no quoted market prices, the estimated fair value of the securities held is based on the investees’ net asset values as of December 31, 2016.

Note 2: Information about the investment in subsidiary and associates; please see Tables 9 and 10.



**TABLE 4**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICE AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars and Foreign Currency)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount (Note 4)
The Corporation	Share capital	Investments accounted for using equity method	Hiwin China	Subsidiary	-	\$ 984,615	-	\$ 392,501 (CNY 78,300)	-	\$ -	\$ -	\$ -	\$ 64,643 (Note 1)	-	\$ 1,441,759
	Capital stock	Investments accounted for using equity method	Eterbright	Subsidiary	115,393,463	633,391	68,274,648	682,746	-	-	-	-	(514,072) (Note 2)	137,751,098 (Note 3)	802,065

Note 1: Including investment income accounted for using equity method \$116,223 thousand, exchange differences on translation \$(120,801) thousand, and realized intercompany profit \$69,221 thousand.

Note 2: Including investment loss accounted for using equity method \$(382,564) thousand and decrease of net assets \$131,508 thousand from subscribing for additional new shares at a percentage different from its existing ownership percentage.

Note 3: Due to the capital reduction for offsetting the deficit, the shares held decreased by 45,917,013 shares.

Note 4: Significant intercompany accounts and transactions have been eliminated.

TABLE 5

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Corporation	Taichung Precision Machinery Science and Technology Innovation Park factory Phase II	2016.3.26	\$ 377,000	\$ 23,061	Daya Electrical Engineering, Ltd.	None	-	-	-	\$ -	Contractors bid	Factory electrical engineering project	-
	Chiayi Dapumei Precision Machinery Park factory	2016.11.8	1,133,000	-	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-
Hiwin China	Suzhou Industrial Park factory Phase I	2016.3.26	378,018	179,293	Zhongyifeng Construction Group Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-
	Suzhou Industrial Park factory Phase II	2016.12.19	587,431	53,048	Zhongyifeng Construction Group Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Company Name (Note)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin Germany	Subsidiary	Sale	\$ 900,661	7	O/A 120 days	\$ -	-	\$ 250,028	5	
	Hiwin China	Subsidiary	Sale	981,806	8	O/A 120 days	-	-	241,215	5	
	Hiwin Japan	Subsidiary	Sale	496,695	4	O/A 150-180 days	-	-	298,072	6	
	Hiwin USA	Subsidiary	Sale	222,576	2	O/A 120-180 days	-	-	69,152	1	
	Hiwin Italy	Subsidiary	Sale	325,198	3	O/A 150-180 days	-	-	212,094	5	
	Hiwin Korea	Subsidiary	Sale	104,392	1	O/A 180 days	-	-	57,876	1	
Hiwin Germany	The Corporation	Parent Company	Purchase	900,661	58	O/A 120 days	-	-	250,028	(74)	
Hiwin China	The Corporation	Parent Company	Purchase	981,806	82	O/A 120 days	-	-	241,215	(90)	
Hiwin Japan	The Corporation	Parent Company	Purchase	496,695	44	O/A 150-180 days	-	-	298,072	(53)	
Hiwin USA	The Corporation	Parent Company	Purchase	222,576	94	O/A 120-180 days	-	-	69,152	(100)	
Hiwin Italy	The Corporation	Parent Company	Purchase	325,198	89	O/A 150-180 days	-	-	212,094	(66)	
Hiwin Korea	The Corporation	Parent Company	Purchase	104,392	74	O/A 180 days	-	-	57,876	(89)	
Hiwin Germany	Hiwin Mikrosystem	Other related party	Purchase	186,778	12	O/A 90 days	-	-	(47,518)	(14)	
	Hiwin S.R.O	Associate	Sale	155,904	7	O/A 45 days	-	-	13,396	12	
Hiwin USA	Hiwin Mikrosystem	Other related party	Purchase	204,702	41	O/A 90 days	-	-	(53,846)	(41)	

Note: Significant intercompany accounts and transactions have been eliminated except Hiwin Mikrosystem and Hiwin S.R.O.

**TABLE 7**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2016**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Germany	Subsidiary	Trade receivables from related parties	\$ 250,028	3.34	\$ -	-	\$ 154,008	\$ -
	Hiwin Japan	Subsidiary	Trade receivables from related parties	298,072	1.60	-	-	97,211	-
	Hiwin China	Subsidiary	Trade receivables from related parties	241,215	3.94	-	-	139,664	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	212,094	1.79	-	-	43,332	-
	Eterbright	Subsidiary	Other receivables from related parties	439,565	-	-	-	-	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	76,810	-	-	-	-	-

Note: Significant intercompany accounts and transactions have been eliminated.

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hiwin Japan	1	Sales	\$ 496,695	O/A 150-180 days	3
			1	Trade receivables	298,072	O/A 150-180 days	1
		Hiwin Germany	1	Sales	900,661	O/A 120 days	6
			1	Trade receivables	250,028	O/A 120 days	1
		Hiwin USA	1	Sales	222,576	O/A 120-180 days	1
			1	Trade receivables	69,152	O/A 120-180 days	-
		Hiwin China	1	Sales	981,806	O/A 120 days	6
			1	Trade receivables	241,215	O/A 120 days	1
		Hiwin Korea	1	Sales	104,392	O/A 180 days	1
			1	Trade receivables	57,876	O/A 180 days	-
		Hiwin Italy	1	Sales	325,198	O/A 150-180 days	2
			1	Trade receivables	212,094	O/A 150-180 days	1
		Eterbright	1	Other receivables	439,565	-	1

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

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

Note 3: Unrealized gains with Hiwin China are \$59,474 thousand.

**TABLE 9**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 452,797	\$ 452,797	-	100	\$ 970,416	\$ 28,365	\$ 28,365	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	401,827	(9,105)	(9,105)	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	708,081	470,361	46,200	100	(64,041)	(185,453)	(185,453)	Subsidiary
	Mega Fabs Motion Systems Ltd.	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	-	40	95,001	26,525	10,610	Investments accounted for using equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	1,836,681	1,153,935	137,751,098	58	802,065	(691,442)	(382,564)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	7,506	(37,622)	(37,622)	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	140,665	1,440,000	100	65,437	(53,296)	(53,296)	Subsidiary
	Luren	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	358,955	358,955	11,352,373	47	295,913	(103,465)	(50,710)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	3,194	(31)	(31)	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	68,040	-	-	94	91,468	(72,527)	(16,805)	Subsidiary
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	43,419 (EUR 1,281)	(Note 1)	(Note 1)	Investments accounted for using equity method
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	241,214 (EUR 6,500)	241,214 (EUR 6,500)	-	6	5,447 (EUR 161)	(Note 1)	(Note 1)	Subsidiary
Luren	Luren Japan	Japan	Sale of gear cutting tools and machinery	7,956	3,571	500	100	1,741	(Note 1)	(Note 1)	Indirectly owned subsidiary
	Luren USA	United States of America	Sale of gear cutting tools and machinery	14,721	14,721	460,000	100	3,591	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Significant intercompany accounts and transactions have been eliminated except Mega Fabs Motion Systems Ltd. and Hiwin S.R.O.

Note 3: Information on investment in Mainland China, please see Table 10.

**TABLE 10**

**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars and Foreign Currency)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward	Inward						
YIFU Finance	Finance lease	\$ 806,250 (USD 25,000)	(Note 1)	\$ 236,266 (USD 8,168)	\$ -	\$ -	\$ 236,266 (USD 8,168)	\$ 47,968	\$ 19	(Note 3)	\$ 236,266	\$ -
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,105,539 (CNY 221,700)	392,501 (CNY 78,300)	-	1,498,040 (USD 300,000)	116,223	100	\$ 116,223 (Notes 4 and 7)	1,441,759 (Note 7)	-
Luren Shanghai	Sale of gear cutting tools and machinery	4,871 (USD 148)	(Note 2)	4,871 (USD 148)	-	-	4,871 (USD 148)	(6,310)	47	(2,966 ) (Notes 4 and 7)	(6,918) (Note 7)	-
Luren Xiamen	Sale of gear cutting tools	15,104 (USD 500)	(Note 2)	15,104 (USD 500)	-	-	15,104 (USD 500)	(3,194)	-	(1,502 ) (Notes 4 and 7)	(Note 5)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Corporation	\$ 1,734,306 (USD 8,168 and CNY 300,000)	\$ 1,691,475 (USD 9,500 and CNY 300,000)	(Note 6)
Luren	\$ 19,975 (USD 648 )	\$ 19,975 (USD 648 )	\$ 154,157 (Note 6)

- Note 1: The investment was made through a corporation established in a third country, which, in turn, invested in companies located in Mainland China.
- Note 2: The investment in Mainland China was made directly.
- Note 3: The investment in Kaland is carried at cost; thus, no investment gain or loss is recognized.
- Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Corporation’s independent auditors.
- Note 5: Luren Xiamen completed its liquidation procedures in June, 2016.
- Note 6: According to “Regulation for Screening of Application to Engage in Technical Cooperation in Mainland China” issued by the Investment Commission of Ministry of Economic Affairs, the investment in Mainland China has no maximum limitation since the Corporation had acquired the IDB approval of the Corporation’s establishment of an operating headquarter in Taiwan. The upper limit investment amount of Luren is 60% of the net assets of Luren in the latest financial report.
- Note 7: Significant intercompany accounts and transactions have been eliminated.