

Stock Code: 2049

**Hiwin Technologies Corp.**  
**Handbook for the 2016 Annual Meeting of**  
**Shareholders**

**Time: June 28, 2016 ( Tuesday ) , 9:00 am**

**Place: 4F, No.129, Anhe Rd, Xitun District, Taichung**  
**(Taichung Howard Hotel)**

# ***DISCLAIMER***

*THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2015 ANNUAL GENERALMEETING (THE “HANDBOOK”) OF HIWIN TECHNOLOGIES CORP. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.*

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# **Hiwin Technologies Corp.**

## **Procedure for the 2016 Annual Meeting of Shareholders**

Call the Meeting to Order

Chairperson Remarks

Proposals and Discussion 1

Report on Company Affairs

Adoptions

Proposals and Discussion 2

Election

Proposals and Discussion 3

Questions and Motions

Adjournment

# **Hiwin Technologies Corp.**

Year 2016

## **Agenda of Annual Meeting of Shareholders**

**Time:** 9:00 a.m. on June 28, 2016 ( Tuesday)

**Place:** 4F, No.129, Anhe Rd, Xitun District, Taichung (Taichung Howard Hotel)

### **Call the Meeting to Order**

### **Chairperson Remarks**

### **Proposals and Discussion 1**

Amendment to the Company's "Articles of Incorporation"

### **Report on Company Affairs**

1. Report on 2015 employees' profit sharing bonus and directors' compensation
2. 2015 Business Report
3. 2015 Supervisors Audit Report
4. Amendment to the Rules of Procedure for Board Meetings
5. Amendment to the "Guidelines for the Adoption of Codes of Ethical Conduct"
6. Amendment to the "Ethical Corporate Management Principles"

### **Adoptions**

1. Adoption of the 2015 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2015 Earnings

### **Proposals and Discussion 2**

1. Proposal for a new shares issue through capitalization of retained earnings
2. Amendment to the operational procedures for Acquisition or Disposal of Assets
3. Amendment to the Operational Procedures for Loaning of Company Funds
4. Amendment to the Operational Procedures for Endorsements and Guarantees
5. Amendment to the Rules of Procedure for Shareholder Meetings
6. Amendment to the Procedures for Election of Directors and Supervisors

## **Elections**

The Election of 10<sup>th</sup> Directors

## **Proposals and Discussion 3**

Release the Prohibition on Directors from Participation in Competitive Business

## **Questions and Motions**

## **Adjournment**

# Proposals and Discussion 1

**Proposed by the Board**

**Proposal:**

Amendment to the Company's Articles of Incorporation. Please proceed to discuss.

**Explanation:**

In order to conform to the needs of commercial practice (or amendments to related commercial laws), the company hereby proposes to amend the Company's Article of Incorporation. Please refer to Chinese version, Appendix 1, P.8~P.15 for details.

**Resolution:**

# Report on Company Affairs

## Report No. 1

Report on 2015 employees' profit sharing bonus and directors' compensation

Items	Proposed by the Board	Note
Employees' profit	NTD\$123,950,832	Cash
directors' compensation	NTD\$61,975,416	

## Report No. 2

2015 Business Report, please refer to Chinese version, Appendix 2, P.16~P.17 for details.

## Report No. 3

2015 Supervisors Audit Report, please refer to Chinese version, Appendix 3, P.18 and Appendix 4~5, P.19~P.34 for details.

## Report No. 4

Amendment to the Rules of Procedure for Board Meetings", please refer to Chinese version, Appendix 6, P.35~P.37 for details.

## Report No. 5

Amendment to the "Guidelines for the Adoption of Codes of Ethical Conduct", please refer to Chinese version, Appendix 7, P.38~P.41 for details

## Report No. 6

Amendment to the "Ethical Corporate Management Principles", please refer to Chinese version, Appendix 8, P.42~P.45 for details.



# Adoptions

**Proposed by the Board**

## **Item 1.**

### **Proposal:**

Adoption of the 2015 Business Report and Financial Statements.

### **Explanation:**

- (1) The Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Ms. Karen Yen and Mr. Rock Tseng of Deloitte Taiwan. Also Business Report and Financial Statements have been approved by the Board and examined by the supervisors of the Company.
- (2) The 2015 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements could be referred to the Chinese version, Appendix 2, P16~P.17 and Appendix 4&5, P.19~P.34.

### **Resolution:**

**Proposed by the Board**

## **Item 2.**

### **Proposal:**

Adoption of the Proposal for Distribution of 2015 Earnings.

### **Explanation:**

- (1) Please refer to the Chinese version, Appendix 9, P.46 of the 2015 profit distribution table.
- (2) For the further development of company business, the Company proposed to distribute share dividend NTD\$0.6 per share and dividend NTD\$1.7 per share, total NTD\$2.3 per share ( cash dividend NTD\$2.1 and stock dividend NTD\$0.2 ) .
- (3) The Company distributes the 2015 earnings first in accordance

with Article 66-6 of the Income Tax law.

- (4) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the chairman be authorized to resolve the record date, ex-dividend date, and other relevant issue.

**Resolution:**

## Proposals and Discussion 2

**Proposed by the Board**

### **Item 1.**

#### **Proposal:**

Proposal for a new share issue through capitalization of retained earnings. Please proceed to discuss.

#### **Explanation:**

- (1) For the further development of company business, the management plans to withdraw NTD\$53,855,700 from distributable earnings to issue dividends stocks (5,385,570 shares), the Company's capital is NTD\$2,746,640,260(274,664,026 shares) after the capitalization.
- (2) The shares are determined by the shareholding ratio of shareholders. Shareholding of less than one share shall be paid in cash in accordance with Article 240 of the Company Act. Fractional shares will be purchased by people arranged by the chairman authorized by the Board.
- (3) The shareholder rights and obligations of the new shares are the same as those of existing shares.
- (4) After the approval of the Annual Meeting of Shareholders and the competent authority, the new shares will be distributed on a record date determined by the Board.
- (5) Above capitalization issues are authorized the board to deal with if authorities or circumstance changes.

#### **Resolution:**

**Proposed by the Board**

### **Item 2.**

#### **Proposal:**

Amendment to the Operational Procedures for Acquisition and Disposal of Assets. Please proceed to discuss.

#### **Explanation:**

In order to establish the Audit Committee to replace the duty of the Supervisors, the company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets. Please refer to Chinese version, Appendix 10, P.47~P.52 for details.

**Resolution:**

**Proposed by the Board**

**Item 3.**

**Proposal:**

Amendment to the Operational Procedures for Loaning of Company Funds. Please proceed to discuss.

**Explanation:**

In order to establish the Audit Committee to replace the duty of the Supervisors, the company hereby proposes to amend the Operational Procedures for Loaning of Company Funds. Please refer to Chinese version, Appendix 11, P.53~P.55 for details.

**Resolution:**

**Proposed by the Board**

**Item 4.**

**Proposal:**

Amendment to the Operational Procedures for Endorsements and Guarantees. Please proceed to discuss.

**Explanation:**

In order to establish the Audit Committee to replace the duty of the Supervisors, the company hereby proposes to amend the Operational Procedures for Endorsements and Guarantees. Please refer to Chinese version, Appendix 12, P.56~P.58 for details.

**Resolution:**

**Proposed by the Board**

**Item 5.**

**Proposal:**

Amendment to the Rules of Procedure for Shareholder Meetings. Please proceed to discuss.

**Explanation:**

In order to establish the Audit Committee to replace the duty of the Supervisors, the company hereby proposes to amend the Rules of Procedure for Shareholder Meetings. Please refer to Chinese version, Appendix 13, P.59~P.60 for details.

**Resolution:**

**Proposed by the Board**

**Item 6.**

**Proposal:**

Amendment to the Procedures for Election of Directors and Supervisors. Please proceed to discuss.

**Explanation:**

In order to establish the Audit Committee to replace the duty of the Supervisors, the company hereby proposes to amend the Procedures for Election of Directors and Supervisors. Please refer to Chinese version, Appendix 14, P.61~P.62 for details.

**Resolution:**

# **Election**

## **Proposed by the Board**

### **Proposal:**

The company is responsible for identifying and evaluating nominees for director and supervisor seats, and recommending to the Board a slate of nominees for the 10<sup>th</sup> Directors election.

### **Explanation:**

1. The term of the 9<sup>th</sup> board will be end on 6/27/2016 accordingly, the company proposes to duly elect new Board members at this year's Annual Meeting of Shareholders.
2. The shareholders' meeting proposed to elect 9 directors(including 3 independent directors). Their three-year term will start from 6/28/2016 and conclude on 6/27/2019.
3. The election of directors and independent directors will be applied with candidate's nomination system. Shareholders shall elect the directors and the independent directors from the nominees listed in the roster of director candidates.
4. According to Article 14-4 of the Securities Exchange Act, and the letter # 09502320300 announced by Department of Commerce, MOEA on June 21st, 2016, the related agendas of the supervisors' election will not be processed in 2016 Annual Meeting of Shareholders if the amendment to the Company's Corporate Charter which is related that the Audit Committee will not set up and the election of the Supervisors will not executed was approved in the 2016 Annual Meeting of Shareholders.
5. The candidate list of election of Directors was approved by Board of directors on May 10th, 2016. Please refer to Chinese Version, Appendix 15, P.63~P.65 for details.

### **Voting Results**

## **Proposals and Discussion 2**

**Proposed by the Board**

### **Item 1.**

#### **Proposal:**

Proposal for Release the Prohibition on Directors from Participation in Competitive Business. Please proceed to discuss.

#### **Explanation:**

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. For the 10<sup>th</sup> Director who does anything stipulated in Article 209 of Company Act, without prejudicing the interests of the Company, the release of the prohibition from participation in competitive business is proposed to be released are described as follows.
3. The proposed list for release the prohibition on Directors from participation in competitive business please refers to Chinese version, Appendix 16, P.66.

#### **Resolution:**

## **Questions and Motions**

## **Adjournment**

# **2015 Business Report**

Dear Shareholders,

As the market demand slowed and the economy was in decline in mainland China in 2015, plus the effects of exchange-rate depreciation of yen and euro, the output value of Taiwan's manufacturing industry in 2015 was down 10.8% from 2014. Moreover, Japanese competitors set up factories in mainland China and went off the beaten track to use equipment and materials made in mainland China to reduce the cost, thus competing in the global marketplace with lower-priced linear guideway. The company's consolidated revenue was NT\$ 14.89 billion in 2015, down 1% from last year's NT\$ 15.9 billion. The reason why HIWIN was still able to deliver stable performance in such a weak economy and competitive environment is that it has made long-term investment in innovations and expanded the product line and its global market layout is deep and broad, which can show our business capacity.

In terms of research and development, HIWIN is devoted to developing middle and high-end products, such as smart screws, linear guideway and robots, moving towards the goal of realizing industry 4.0. Using the smart ball screw and linear guideway system displayed in EMO 2015, the operator can monitor the machine production state remotely from the cloud and predict the time to replace spares the with a smart phone, truly realizing intelligent manufacturing of industry 4.0. AB/AC axis, the key system part of five-axis processing machine with linear motor at the core starts delivery, leading Taiwan's machine tools into the era of five-axis combined processing machine through transformation and upgrading. As for manufacturing capacity, the execution of vertical and horizontal integration is being sped up. HIWIN cooperates with end product manufacturing process to provide machine design service, converged device, machine arm and electromechanical parts, and authorized equipment manufacturers' operation mode of the total solution, which also starts a "new era of original service" of HIWIN.

HIWIN aims to become the world's major robot manufacturer, design and build a smart and automatic production line for its customers and provide one-stop integrated service. Throughout 2015, there were many successful application cases of HIWIN's various robots in many industries, such as electron, medical service, food, banks, consumer goods, machine tools, industrial machinery, panels and PCB. IFR estimates that the global demand for various robots will exceed 1.3 million in 2018, so HIWIN is ready to shine in the field of



robots.

HIWIN succeeded in purchasing Luren Precision in 2015, a special machine tool factory of high-precision gear cutter and gear manufacturing process in Taiwan, whose hardware and software technology related to gear and gear cutter can greatly assist HIWIN in building various globally competitive robots, completing the puzzle in HIWIN's key manufacturing process field of robots. In addition, for future development, HIWIN positively enlarged the scale of investment in Taiwan, mainland China, Germany, Japan, America and Italy and built a more detailed marketing network, both of which would add new functions to future revenue growth and lay a solid foundation for HIWIN's moving towards the world's No.1 leading brand.

HIWIN continued to focus on R&D innovation and brand marketing in 2015 and gained recognition from media at home and abroad. It ranked 5<sup>th</sup> in Top 100 Fastest Growing Enterprises 2009~2014 published by Nikkei Business and it's also the only Taiwanese enterprise in the top 20; it ranked 37<sup>th</sup> in Forbes Top 100 Global Innovators again; it's weight was in top 10 of Nasdaq's Robo-Stox constituents; it won Taiwan Excellence Gold Award and Taiwan Excellence Silver Award given by the Ministry of Economic Affairs for the 15<sup>th</sup> consecutive year; it's been in Top 20 Most Innovative Taiwanese Companies selected by Ministry of Economic Affairs for 5 consecutive years (2011~2015); besides, it also won Excellence in Corporate Social Responsibility (CSR) Award and its CSR report was accredited by AA1000 and won Taiwan Corporate Social Award and Growth Through Innovation Award.

HIWIN has long been devoted to operation and pursuing solid growth and performs its duties as a corporate citizen in its global sites. "HIWIN Thesis Award" is held in Taiwan for the 13<sup>th</sup> time, having a giant effect on research and teaching of universities; HIWIN commissions Chinese Mechanical Engineering Society (Beijing) to hold "HIWIN Doctoral Dissertation Award" (candidates are from mainland China, Taiwan, Hongkong and Macao) in mainland China, and it has been held for the 6<sup>th</sup> time and become a benchmarking award in mainland China; It is estimated that the compound library it donates to 6 elementary schools in Hsinchu will be completed and open in Sep. 2016. It continues to cooperate with universities in industry-university cooperative projects to help students build competency for their future jobs; it cooperates with universities to set joint research and development centers, combine specialties of the industry and schools and cultivate senior talents in medical engineering and rehabilitation technology; it assists universities in setting up a training center of industrial robot application, expecting this center to become one of the important

training bases of Taiwan's robot professionals; it denotes "Robotic Gait Training System" to hospitals to refine rehabilitation and medical quality through their service platform and influence, benefiting more patients.

Looking ahead to 2016, we can see that the global economy tends to recover; although it recovers slowly and conservatively, opportunities and challenges coexist. The "Robotic Gait Training System" it had worked on for years was officially approved for sale by China Food and Drug Administration in March 2016. Mainland China is energetically pushing for "Made in China 2025" and has included robots in the 13<sup>th</sup> Five Year Plan; the demand for intelligent manufacturing and robots is rising rapidly, which is the best opportunity for HIWIN. On the other hand, America's economic growth slows and depreciation effects of yen and euro continue, both of which will intensify the industry competition. Therefore, facing the transformation of the overall environment, we will respond prudently, continue to invest R&D resources, develop new products, improve manufacturing process and enhance operating efficiency. As a leading company in the development of intelligent manufacturing and intelligent automation thanks to our innovative thinking, we believe we will cooperate with Taiwanese and global customers to go to the future of industrial upgrading, becoming the best partner of customers in industry 4.0.

Here, I'd like to thank all our colleagues for their tireless efforts and all shareholders, government agencies and banking consortia for their support; I appreciate shareholders' long term support for HIWIN's management team in innovation and building its global brand position and I hope you will continue supporting us and giving us advice in the new year.

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hiwin Technologies Corporation

We have audited the accompanying consolidated balance sheets of Hiwin Technologies Corporation (“the Corporation”) and its subsidiaries (collectively referred to as the “Group”) as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity 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 by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Hiwin Technologies Corporation as of and for the years ended December 31, 2015 and 2014

on which we have issued an unqualified report.

March 26, 2016

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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,609,363	5	\$ 2,460,006	8
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	877	-	104	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 9)	563,054	1	203,939	1
Notes receivable from related parties, net (Notes 4, 5 and 28)	1,709	-	7,177	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 9)	4,889,818	15	5,450,013	18
Trade receivables from related parties, net (Notes 4, 5 and 28)	24,969	-	12,802	-
Inventories (Notes 4, 5 and 10)	5,524,282	17	4,066,870	13
Other current assets (Notes 6, 14, 28 and 29)	<u>958,573</u>	<u>3</u>	<u>763,844</u>	<u>3</u>
Total current assets	<u>13,572,645</u>	<u>41</u>	<u>12,964,755</u>	<u>43</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 4)	-	-	16	-
Held-to-maturity financial assets - non-current (Note 4)	3,146	-	3,258	-
Financial assets measured at cost - non-current (Notes 4 and 8)	363,264	1	351,754	1
Investments accounted for using equity method (Notes 4 and 12)	126,244	-	104,990	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	15,930,786	49	15,258,375	50
Goodwill (Notes 4, 5 and 23)	192,388	1	14,473	-
Deferred tax assets (Notes 4, 5 and 21)	199,095	1	153,991	1
Prepayments for machinery and equipment	1,920,195	6	1,144,092	4
Refundable deposits	108,712	-	35,994	-
Long-term prepayments for lease (Note 14)	94,279	-	98,207	-
Other non-current assets (Notes 4, 6, 9, 14, 16 and 29)	<u>255,465</u>	<u>1</u>	<u>197,858</u>	<u>1</u>
Total non-current assets	<u>19,193,574</u>	<u>59</u>	<u>17,363,008</u>	<u>57</u>
TOTAL	<u>\$ 32,766,219</u>	<u>100</u>	<u>\$ 30,327,763</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 29)	\$ 6,129,603	19	\$ 4,360,411	14
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	2,741	-	13,667	-
Notes payable	6,042	-	10,060	-
Trade payables to unrelated parties	2,099,543	6	2,146,987	7
Trade payables to related parties (Note 28)	191,766	-	110,862	-
Other payables (Note 17)	1,209,703	4	1,355,434	5
Current tax liabilities (Notes 4 and 21)	213,440	1	480,707	2
Current portion of long-term borrowings (Notes 15, 16 and 29)	1,512,253	5	1,360,209	5
Other current liabilities (Note 4)	<u>161,764</u>	<u>-</u>	<u>136,050</u>	<u>-</u>
Total current liabilities	<u>11,526,855</u>	<u>35</u>	<u>9,974,387</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	6,127,847	19	5,887,161	19
Deferred tax liabilities (Notes 4 and 21)	183,975	1	180,389	1
Finance lease payables - non-current (Notes 4, 16 and 29)	142,455	-	393,494	1
Net defined benefit liabilities - non-current (Notes 4, 5 and 18)	276,925	1	219,747	1
Other non-current liabilities	<u>7,432</u>	<u>-</u>	<u>300</u>	<u>-</u>
Total non-current liabilities	<u>6,738,634</u>	<u>21</u>	<u>6,681,091</u>	<u>22</u>
Total liabilities	<u>18,265,489</u>	<u>56</u>	<u>16,655,478</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	2,692,785	8	2,614,354	9
Capital surplus	311,955	1	308,630	1
Retained earnings				
Legal reserve	1,596,118	5	1,355,627	4
Special reserve	14,561	-	-	-
Unappropriated earnings	9,122,242	28	8,664,091	29
Other equity	<u>(91,624)</u>	<u>-</u>	<u>(14,561)</u>	<u>-</u>
Total equity attributable to owners of the Corporation	13,646,037	42	12,928,141	43
NON-CONTROLLING INTERESTS	<u>854,693</u>	<u>2</u>	<u>744,144</u>	<u>2</u>
Total equity	<u>14,500,730</u>	<u>44</u>	<u>13,672,285</u>	<u>45</u>
TOTAL	<u>\$ 32,766,219</u>	<u>100</u>	<u>\$ 30,327,763</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, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
SALES (Notes 4 and 28)	\$ 14,881,048	100	\$ 15,087,336	100
COST OF GOODS SOLD (Notes 10, 20 and 28)	<u>9,547,429</u>	<u>64</u>	<u>9,296,584</u>	<u>62</u>
GROSS PROFIT	<u>5,333,619</u>	<u>36</u>	<u>5,790,752</u>	<u>38</u>
OPERATING EXPENSES (Notes 20 and 28)				
Selling and marketing expenses	1,303,754	9	1,126,186	7
General and administrative expenses	1,228,255	8	1,009,279	7
Research and development expenses	<u>898,993</u>	<u>6</u>	<u>807,452</u>	<u>5</u>
Total operating expenses	<u>3,431,002</u>	<u>23</u>	<u>2,942,917</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,902,617</u>	<u>13</u>	<u>2,847,835</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	61,282	-	8,324	-
Finance costs (Notes 4 and 20)	(170,793)	(1)	(172,112)	(1)
Share of profit of associates accounted for using equity method (Notes 4 and 12)	23,087	-	10,055	-
Interest income (Note 4)	18,728	-	14,401	-
Rental income (Notes 4 and 28)	376	-	6,380	-
Other income (Notes 4 and 28)	85,923	-	37,570	-
Net foreign exchange gain (loss) (Note 4)	(45,065)	-	211,439	1
Other expenses	(4,114)	-	(8,210)	-
Impairment loss on property, plant and equipment (Note 4)	(18,684)	-	(12,454)	-
Valuation loss on financial liabilities at fair value through profit or loss (Note 4)	(5,163)	-	(23,086)	-
Impairment loss on financial assets (Note 4)	<u>(14,008)</u>	<u>-</u>	<u>(9,200)</u>	<u>-</u>
Total non-operating income and expenses	<u>(68,431)</u>	<u>(1)</u>	<u>63,107</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,834,186	12	2,910,942	19
INCOME TAX EXPENSE (Notes 4, 5 and 21)	<u>439,627</u>	<u>3</u>	<u>643,592</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>1,394,559</u>	<u>9</u>	<u>2,267,350</u>	<u>15</u>

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (14,723)	-	\$ (5,641)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(92,958)	-	(19,698)	-
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>15,758</u>	<u>-</u>	<u>2,983</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(91,926)</u>	<u>-</u>	<u>(22,356)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,302,633</u>	<u>9</u>	<u>\$ 2,244,994</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,642,238	11	\$ 2,404,906	16
Non-controlling interests	<u>(247,679)</u>	<u>(2)</u>	<u>(137,556)</u>	<u>(1)</u>
	<u>\$ 1,394,559</u>	<u>9</u>	<u>\$ 2,267,350</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,551,550	11	\$ 2,382,550	16
Non-controlling interests	<u>(248,917)</u>	<u>(2)</u>	<u>(137,556)</u>	<u>(1)</u>
	<u>\$ 1,302,633</u>	<u>9</u>	<u>\$ 2,244,994</u>	<u>15</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 6.10</u>		<u>\$ 8.93</u>	
Diluted	<u>\$ 6.07</u>		<u>\$ 8.90</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, 2015 AND 2014 (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, 2014	\$ 2,538,208	\$ 308,630	\$ -	\$ 1,153,469	\$ 163,449	\$ 7,065,846	\$ 2,151	\$ 3	\$ 11,231,756	\$ 563,842	\$ 11,795,598
Appropriation of 2013 earnings											
Legal reserve	-	-	-	202,158	-	(202,158)	-	-	-	-	-
Cash dividends - NT\$2.7 per share	-	-	-	-	-	(685,316)	-	-	(685,316)	-	(685,316)
Share dividends - NT\$0.3 per share	76,146	-	-	-	-	(76,146)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(163,449)	163,449	-	-	-	-	-
	76,146	-	-	202,158	(163,449)	(800,171)	-	-	(685,316)	-	(685,316)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	317,009	317,009
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(849)	-	-	(849)	849	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	2,404,906	-	-	2,404,906	(137,556)	2,267,350
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	(5,641)	(16,715)	-	(22,356)	-	(22,356)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	2,399,265	(16,715)	-	2,382,550	(137,556)	2,244,994
BALANCE AT DECEMBER 31, 2014	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

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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,834,186	\$ 2,910,942
Adjustments for :		
Depreciation expenses	1,353,268	1,091,917
Amortization expenses	21,756	14,587
Impairment loss recognized (reversal of impairment loss) on receivables	11,230	(1,272)
Net loss on fair value change of financial liabilities at fair value through profit or loss	1,864	13,563
Finance costs	170,793	172,112
Interest income	(18,728)	(14,401)
Write-down of inventories	112,964	4,287
Share of profit of associates accounted for using equity method	(23,087)	(10,055)
Loss on disposal of property, plant and equipment	2,425	820
Impairment loss recognized on financial assets	14,008	9,200
Impairment loss recognized on property, plant and equipment	18,684	12,454
Unrealized foreign currency exchange gain, net	(58,883)	(164,532)
Other	205	111
Changes in operating assets and liabilities		
Financial instruments held for trading	(13,563)	(2,792)
Notes receivable	(344,374)	(1,396)
Trade receivables	684,534	(698,485)
Inventories	(1,315,007)	(86,133)
Other current assets	(185,390)	29,584
Notes payable	(7,012)	(10,458)
Trade payables	(35,137)	333,689
Other payables	(295,420)	300,888
Other current liabilities	(42,340)	19,434
Net defined benefit liabilities	(4,348)	256
Cash generated from operations	1,882,628	3,924,320
Interest received	19,633	6,516
Interest paid	(165,986)	(173,214)
Income taxes paid	(690,354)	(527,065)
Net cash generated from operating activities	<u>1,045,921</u>	<u>3,230,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	(1,444,577)	(733,419)
Proceeds from disposal of property, plant and equipment	2,040	1,731
Decrease (increase) in refundable deposits	(72,593)	185,481
Increase in other financial assets	(10,104)	(346,922)
Increase in other non-current assets	(70,127)	(60,385)
Increase in prepayments for machinery and equipment	(1,421,718)	(589,636)

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Increase in prepayments for lease	\$ -	\$ (97,102)
Dividend received from associates	<u>3,263</u>	<u>-</u>
Net cash used in investing activities	<u>(3,280,165)</u>	<u>(1,640,252)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	1,638,854	(715,111)
Proceeds from long-term borrowings	2,081,710	2,226,380
Repayments of long-term borrowings	(1,667,240)	(1,429,649)
Repayments of finance lease payable	(17,195)	(21,279)
Increase in other non-current liabilities	5,584	-
Dividends paid	(836,593)	(685,316)
Changes in non-controlling interests	<u>239,502</u>	<u>321,032</u>
Net cash generated from (used in) financing activities	<u>1,444,622</u>	<u>(303,943)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(61,021)</u>	<u>(12,029)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(850,643)	1,274,333
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,460,006</u>	<u>1,185,673</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,609,363</u>	<u>\$ 2,460,006</u>

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