

**Hiwin Technologies Corp.**  
**Handbook for the 2017 Annual Meeting of**  
**Shareholders**

**Time: June 28, 2017 ( Wednesday ) , 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 2016 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.*

<b>Table of Contents</b>	
<b>I. Meeting Procedure.....</b>	<b>P4</b>
<b>II. Meeting Agenda</b>	<b>P5</b>
1. Report on Company Affairs.....	P6
2. Adoptions.....	P7-8
3. Proposals and Discussion .....	P9
4. Election.....	P10
5. Questions and Motions.....	P10
<b>III. Attachments</b>	
1. 2016 Business Report.....	P11-12
2. Audit Committee’s Review Report	P13
3. Independent accountants’ audit report and consolidated financial statements.....	P14-22

# **Hiwin Technologies Corp.**

## **Procedure for the 2017 Annual Meeting of Shareholders**

Call the Meeting to Order

Chairperson Remarks

Report on Company Affairs

Adoptions

Proposals and Discussion

Election

Questions and Motions

Adjournment

# **Hiwin Technologies Corp.**

Year 2017

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

**Time:** 9:00 a.m. on June 28, 2017 (Wednesday)

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

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

### **Chairperson Remarks**

### **Report on Company Affairs**

1. 2016 Business Report
2. 2016 Audit Committee's Review Report
3. Report on 2016 employees' profit sharing bonus and directors' compensation

### **Adoptions**

1. Adoption of the 2016 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2016 Earnings

### **Proposals and Discussion**

1. Proposal for a new shares issue through capitalization of retained earnings
2. Amendment to the operational procedures for Acquisition or Disposal of Assets

### **Elections**

Elect one Independent Director

### **Questions and Motions**

### **Adjournment**

# Report on Company Affairs

## Report No. 1

2016 Business Report, please refer to Chinese version, Appendix 1, P.7~P.8 for details.

## Report No. 2

2016 Audit Committee's Review Report, please refer to Chinese version, Appendix 2, P.9 and Appendix 3~4, P.10~P.31 for details.

## Report No. 3

Report on 2016 employees' profit sharing bonus and directors' compensation.

Items	Proposed by the Board	Note
Employees' profit	NTD\$85,542,585	Cash
Directors' compensation	NTD\$42,771,292	

# Adoptions

**Proposed by the Board**

**Item 1.**

**Proposal:**

Adoption of the 2016 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 2016 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements could be referred to the Chinese version, Appendix 1, P7~P.8 and Appendix 3&4, P.10~P.31.

**Resolution:**

**Proposed by the Board**

**Item 2.**

**Proposal:**

Adoption of the Proposal for Distribution of 2016 Earnings.

**Explanation:**

- (1) Please refer to the Chinese version, Appendix 5, P.32 of the 2016 profit distribution table.
- (2) According to the Company's Articles of Incorporation with Article 31-1 & 32.
- (3) For the further development of company business, the Company proposed to distribute share dividend NTD\$0.6 per share and dividend NTD\$1.2 per share, total NTD\$1.8per share ( cash dividend NTD\$1.6 and stock dividend NTD\$0.2 ) .

- (4) The Company distributes the 2016 earnings first in accordance with Article 66-6 of the Income Tax law.
- (5) 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

## 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\$54,932,810 from distributable earnings to issue dividends stocks (5,493,281 shares), the Company's capital is NTD\$2,801,573,070(280,157,307 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:

The R.O.C. Financial Supervisory Commission recently amended its "Regulation Governing the Acquisition and Disposal of Assets by Public Companies" The Company's Procedures for Acquisition and Disposal of Assets needs to be revised to reflect such regulatory amendments.

Please refer to Chinese version, Appendix 6, P.33~P.37 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 Company's independent director Mr. Chen passed away on December 9<sup>th</sup>, 2016.
2. The Board of Directors approved to increase one independent director at this Shareholders' Meeting. The term of office of the independent director to be elected shall expire on the same date as the term of the existing directors, commencing from June 28, 2016 to June 27, 2019
3. The election of directors and independent directors will be applied with candidate's nomination system. Shareholders shall elect the independent director from the nominees listed in the roster of independent director candidates.
4. The candidate list of election of Directors was approved by Board of directors on May 8th, 2017. Please refer to Chinese Version, Appendix 7, P.38 for details.

## **Voting Results**

# **Questions and Motions**

# **Adjournment**

# **2016 Business Report**

**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, representing 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, Hong Kong 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 1st).

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!

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to Audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earning allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Hiwin Technologies Corporation  
Chairman of the Audit Committee

Mach 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>

# 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>	

# 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			Non-controlling Interests (Notes 11 and 24)	Total 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		
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

# 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>