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2018 Annual Report

HIWIN TECHNOLOGIES CORP.

2019 . 6 . 11

Table of Contents

I. Letter to Shareholders

To HIWIN's shareholders:

The consolidated revenue of HIWIN Technologies Corporation was 29.33 billion NTD in 2018, with an annual growth of 38.6%, which is once again the record high in history. This number is far better than the 6.5% of the domestic overall manufacturing industry. The economy has been steadily growing in first half of 2018. Industries, such as automation, semiconductors, panel displays, smartphones, automobiles, and new energies are vigorously expanding, and global demand of key components is getting short of demand. HIWIN's strategy is continuously increasing productivity domestically and overseas, and optimizing manufacturing process efficiency. By this way, HIWIN has made itself an important partner with well-known automotive brand, semiconductor equipment manufacturers and various essential industries during the critial moment of severe global market shortage, which showing the results of the continuous cultivation.

Multiple important achievements have been made in various markets in 2018. It is the 25th anniversary of HIWIN Germany, and its annual revenue reached a billion euros for the first time ever. HIWIN Germany also expands its business cooperation with the world's most famous pneumatic component manufacturer. HIWIN has also surpassed various well-known competitors in the conservative Japan market, and even successfully came to the aid of multiple well-known Japanese semiconductor equipment manufacturers during the period of material shortage. This leads HIWIN to become the second largest linear motion and system technology supplier in Japan. After the completion of HIWIN China's Phase 1 factory, the production capacity has largely increased, and can rapidly supply product in China market. HIWIN China also built up system integration team, and this is getting prepared for the demands of China's transformation to smart manufacturing. Because of the manufacturing industry return back to the United States, HIWIN USA will have better performance in 2019.

In order to meet the rapidly growing demands of smart manufacturing and automation, HIWIN is aggressively expanding its global manufacturing and R&D foundation. HIWIN has increased the production capacity because Yunlin Science Park Plant and new Dapumei Plant have completed recently. HIWIN Japan and Luren Precision Ltd. Co. have purchased lands in Kobe and in Fongshan Industrial Area in Hsinchu County. Production capacity and service capability can be increased. HIWIN Italy and HIWIN Korea are continuously evaluating the new factory expansion in order to lay a solid foundation for HIWIN to become the global leading brand.

HIWIN has continuously received domestic and international recognition in R&D innovation and corporate operation performance. The Datoker robot reducer AKA the heart of robot, HIWIN is the third company in the world who can meet international standards for this product. The i4.0BS ballscrew demonstrates the functions of smart monitoring and life expectancy, and was awarded the 2018 Enterprise Asia International Innovation Award. HIWIN has received the Gold and Silver Medal of the Ministry of Economic Affairs' Taiwan Excellence Awards consecutively for the past 19 years, gained the recognition of top 5% ranking in TWSE's evaluation of listed companies consecutively for the past 3 years; awarded 5 honors including the "Taiwan Corporate Sustainability Awards- Top 50 Performance" by the Taiwan Institute for Sustainable Energy and the "Outstanding Sustainability Award" by the British Standards Institution; selected for the "Common Wealth Excellence in Corporate Social Responsibilities Award" consecutively for the past 12 years from 2007 to 2018. These accolades are of many achievements from the long term efforts on R&D and operations made by the HIWIN team.

HIWIN's contribution to CSR continues to be education criteria. HIWIN has held the "HIWIN Thesis Award" and the "HIWIN Doctoral Award", inciting vigorous participation from students and professors who have mechanical major background from Taiwan and China. This will cultivate future excellent mechanical talents. HIWIN is leading and promoting the “Automation Engineers Certificate” and “Robotics Engineers Certificate”. These two certificates will increase professional level of smart automation field in Taiwan. The “JIMTOF” show learning trip for university students has inspired young innovative minds for precision machinery. The “HIWIN robot competition” provided the best platform for young students with a passion for robotics to express their creativity. The “Greater Taichung lychee value-added preservation technique” has collectively promoted by HIWIN, NCHU, and the farmers’ association. This has successfully promoted to the Japan market, and has made an effort to Taiwanese agriculture industry.

Looking on 2019, due to the trade war between China and the U.S., recession of the European economy, the growing power of China has slowed down, the IMF predicts the global economic growth to be only 3.5%. This is the lowest number in the past three years. Although we are facing challenges from harsh environments, the demand of smart manufacturing and automation continues to be strong, and this is a crucial moment for the global manufacturing industry’s transformation. This year will be full of challenges and opportunities for HIWIN. HIWIN expects to become the pioneer in smart manufacturing, providing total solution for system integration, satisfying smart manufacturing demands of global clients, accompanying clients to a future of industrial upgrade. We are expecting all the shareholders, government institutions, bank groups to continue to offer support and advice in a year full of uncertainty. All staff of HIWIN will do our best in order to reach the next milestone for HIWIN’S 30-year-anniversary and sales turnover exceeding a billion US dollar.

2018 Business Plan Implementation Results are as follow:

i. 2018 Business Report

(i) Business Plan Implementation Results

2018 consolidated financial statement revenue was 29,333,129 thousand dollars, a 39% increase compared to 21,164,764 thousand dollars in 2017. Operating income was 6,419,195 thousand dollars, a 92% increase compared to 3,345,101 thousand dollars in 2017. Income before Tax was 6,095,960 thousand dollars, a 217% increase compared to 2,812,135 thousand dollars in 2017. Consolidated net income attributed to stockholders of the Company was 5,392,257 thousand dollars, a 197% increase compared to 2,738,019 thousand dollars in 2017. Earnings per share was 18.44 dollars, a 94% increase compared to 9.49 dollars in 2017.

(ii) Financial Revenues and Expenditures and Profitability Analysis

1. Financial Revenues and Expenditures

Unit: thousand NTD

Year / Item	2018 Certification of Finance	
	Amount	Percentage
Net Operating Revenue	29,333,129	100
Cost of Goods Sold or Manufacturing	17,703,549	60
Gross Profit	11,629,580	40
Operating Expenses	5,210,385	18
Operating Income	6,419,195	22
Net Non-operating Expenses	(323,235)	(1)
Income before Tax	4,890,423	17
Consolidated Net Income Attributed to Stockholders of the Company	5,392,257	19

Note: This is a consolidated financial statement. The Company did not disclose a budget plan in 2017, therefore no disclosure of the budget.

2. Profitability Analysis

Item	2018
Return on Asset (%)	11.59
Return on equity (%)	23.83
Operating Income to Capital Stock (%)	213.57
Profit Before Tax to Capital Stock (%)	202.82
Profit Margin (%)	16.67
Earnings Per Share (dollar)	18.44

(iii) Research and Development

1. 2018 R&D fund was 5% of the revenue. There were 237 patent applications and 205 patent certifications acquired. Until the end of 2018, we have acquired 1724 valid patent certifications
2. 2018 domestic juristic-person rank in top 100 Intellectual Property Office by Ministry of Economic Affairs.
   (1) No.65 in patent application.
   (2) No.72 in invention patent announce certification.
   (3) No.47 in patent announce certification.
   R&D result in metal steel and precision machinery fields is the best in the country and continues to stay on top.
3. Endoscope supporting robotic arm MTG-H100 series and the micro ballscrew Super Z series were respectively rewarded the Gold and Silver Medal of the Department of Economic Affairs' Taiwan Excellence Award. The i4.0BS smart ballscrew was rewarded the product category of the 2018 International Innovation Award.
4. R&D Results:
   (1) Completion of developing the second generation smart ballscrew prototype
   (2) Completion of full format mass-production new circulation ballscrew (Super Z) Type 1
   (3) Completion of develop new cooling C3 ballscrew
   (4) Completion of prototype development of the super-micro linear guideway.
   (5) Completion of development and mass-production of the covered roller linear slide
   (6) Completion of developing the entire series of Torque-resistant linear slide
   (7) Completion of development and mass-production of the DATORKER harmonic reducer
   (8) The parallel robotic arms RD403-110-GB, RD403-1100-PR-GB obtained the CE certification and a food grade certification.
   (9) Mass production of the joint robotic arms RT610 Series
   (10) The joint robotic arm RA605-710-GB obtained the CE certification
   (11) The equipment front end module passed the SEMI S2 certification
   (12) Completion of prototype development on the single-armed cassette arm
   (13) Completion of prototype development on the panel arms
   (14) Completion of development and mass-production of the RAS series single supporting Torque motor rotating worktable
   (15) Continuation of development and mass-production of endoscope supporting robotic arms.

ii. 2019 Business Plan Outline

(i) Business principle

1. Develop smart manufactured key products, provide clients with smart manufacturing transformation
2. Accelerate manufacturing smart automation, increase competitiveness.
3. Integrate marketing, provide total solution services for the system's electromechanical integration of components, and subsystems
4. Expand globalization and production capacity, provide services swiftly

(ii) Estimated sales numbers and basis

1. 2019 Estimated Sales Numbers:

Unit: thousand unit

Product	Sales Amount
Ballscrews	2400
Linear Guideway	27,000
Industrial Robotics	3,000
Total	32,400

2. Basis:

In accordance with global economy trend, operating environment in various industries, market demand and supply and competitive situation, analysis business developments of current clientele and development progress of potential clients, and consider various factors including production and sales balance as basis, to estimate the sales numbers of 2019.

(iii) Important production and sales policy

1. Accelerate smart automation manufacture, flexibly apply to the manufacture line, achieve effectiveness increase, cost decrease, high quality and stability
2. Continue to cultivate globally, distribute production capacity in essential markets, provide supply and services nearby
3. Integrate electro mechanics with marketing, establish a close alliance of a Partner Ecosystem
4. Build firm partnerships in the supply chain of important industries

(iv) Future developing strategy

1. Electromechanical integration, provide total solutions, initiate smart manufacturing for the industry and clients
2. Enhance the software/hardware competitiveness of industrial robotics
3. Continue to develop high add-on value products, expand to new application fields
4. Extend core techniques to develop diversified new products, expand distribution of industries such as semiconductors, new energy, medical, 5G, automobiles

(v) Effects on external competition environment, regulation environment, and overall operation environment

Looking on 2019, the impact of the trade war between China and the U.S., slow growth of the European economy, and a possible no-deal Brexit, the IMF predicts the 2010 global economy growth to be 3.5%, 0.4% lower than 2018's, the lowest statistic in the past 3 years. Primarily affected by the trade war between China and the U.S., and the domestic demand market being not as expected, the estimated 2019 economic growth is at 6.3%, lower than 2018's. Europe, on the other hand, due to weak consumption and investment in major countries such as Germany, France, and Italy, they're unable to play the part of hoisting regional growth, 2019 economic growth is at approximately 1.4~1.6%, lower than 2018. Japan has invested in numerous infrastructures due to the upcoming Olympics, however, in light of the trade war and automobiles tariffs, the growth thrust brought on by the TPP can be undermined, estimated 2019 economic growth is at 1.3%. Although the U.S. economy is expanding and pushing for the reflux of the manufacture industry, many institutions expect the 2019 U.S. economic growth to be lower than 2018, estimated at about 2.3~2.5%. India's industrial economy looks to be good still, with a strong growth trend, but the impact can only be truly revealed until after the presidential election. As for Vietnam and other ASEAN countries, although their economy is expected to perform a slight growth, it would still be affected by general election results of various countries and unstable factors of the world trade situation.

On the competitive environment, due to the high demand of the component market, competitors are building factories or increasing production capacities, drawing new companies to invest in the manufacture of linear drive products, a slow economy would heat up the competition, causing unfavorable outcomes such as over supply and low price competitions. The impact of the trade war between the U.S. and China would also accelerate China's industrial upgrade, Chinese companies have been merging and acquiring well-known foreign corporations, obtaining techniques and patents swiftly by doing so, when its manufactures have successfully upgraded and elevated quality, they would make a forceful competitor to HIWIN, and bring about major repercussions to the global industry.

Although 2019 is filled with challenges, it could be crucial moment to gain maximum results. HIWIN has always refined in-factory automation and smart manufacturing, researching and developing innovative products with high add-on value, we have the most intact key components, subsystem parts, and system parts required by electromechanical integrated products and smart automation, the products, services, and total solutions we provide have become the best collaborator for clients to execute industrial upgrade, move towards smart automated Industry 4.0, in this case hide facing the rapidly and fiercely transforming markets and environments, we are confident to face more severe challenges, stably root the HIWIN brand globally, march toward the objective of number one worldwide

HIWIN Technologies CORP.

Chuo,Yung-Tsai, Chairman

II. Company Profile

1. Establishment Date

1989 ● Established in October.

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 TÜV Germany

1999 ●Linear Bearing Awarded the 7th "Taiwan Excellence Gold Award".

●Strategic alliance formed with Parker Hannifin, USA.

●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.

●HIWIN Linear Guideway was Awarded the 8th "Taiwan Excellence Award".

●Ranked 79 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 816th 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 in Top 100 Patents of National Institutional Corps in Taiwan.

●Ranked 855 in Top 1,000 Manufacturers 2002 by Common Wealth Magazine.

●Acquired OHASA 18001 Occupational Safety and Health Certificate by TÜV Germany.

2003 ●Precision Linear Module was 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 plant in the first phase.

●Ranked 734 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 in Top 1,000 Manufacturers 2004 by Common Wealth Magazine.

2005 ●Awarded the 2 Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.

●All-Electric Injection Molding Machine Ballscrew was awarded the 11th "National Product Image Gold Award".

●Selected "Enterprise Citizen" by Common Wealth Magazine.

●Ranked 79 in Top 100 Patents of National Institutional Corps in Taiwan.

●Ranked 552 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 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 in Top 100 Patents of National Institutional Corps in Taiwan.

●Ranked 513 in Top 1,000 Manufacturers 2006 by Common Wealth Magazine.

2007 ●Ranked 4 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 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 meters to merge with the old plant and expand production capacity.

●RG Linear Guideway Awarded the 10th "Taiwan Excellence Silver Award".

●Ranked 440 in Top 1,000 Manufacturers 2007 by Common Wealth Magazine.

2008 ●Ranked 3 of "Excellence in Corporate Social Responsibility" honor in mid-size company category from Common Wealth Magazine.

●105,214 m² 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 in Top 100 Patents of National Institutional Corps 2008 in Taiwan.

●Obtained the certification of Taiwan Occupational Safety & Health Management System (TOSHMS).

●Ranked 380 in Top 1,000 Manufacturers 2008 by Common Wealth Magazine.

2009 ●Ranked 3 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”.

●Stocks are listed for public trading

●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 Corp. Award for Reserve Military Officer by Ministry of National Defense.

●20th anniversary of HIWIN.

●Reinvested MegaFabs Motion Systems LTD in Israel.

●Ranked 33 in Top 100 Patents of National Institutional Corps 2009 in Taiwan.

●Ranked 471 in Top 1,000 Manufacturers 2009 by Common Wealth Magazine.

2010 ● Additional 29,514 m² land in Dapumei intelligent Industrial Park Registered, total land area reaching 45,286 m².

●Energy Conservation Driving Module SK Series Awarded the 18th “Taiwan Excellence Gold Award”.

●Ranked 59 in Top 100 Patents of National Institutional Corps 2010 in Taiwan.

●Received the 2 Contribution Award for Job Creation 2010 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 in Top 1,000 Manufacturers 2010 by Common Wealth Magazine.

● Ranked 2 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.

2011 ●Received the 1 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 Train Quality 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 in Top 100 Patents of National Institutional Corps 2011 in Taiwan.

●Ranked 223rdin 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 Certificate.

●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" in 2012 by Ministry of Economic Affairs.

●TTQS Certificate of Taiwan Train Quality System Enterprise Version Gold.

●CEO was awarded the Honorary Doctor of Business Administration from National Chung Cheng University.

●Ranked 257 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

●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 21st "Taiwan Excellence Gold Award" .

●Received the "Taiwan Train Quality System-Enterprise TTQS" Gold Award.

●Acquired ISO13485 certification.

●Honored with the SGS 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 259th in Top 1,000 Manufacturers 2013 from Common Wealth Magazine.

2014 ●Tangential External Recirculation Ballscrew Super T Series Awarded with the 22nd "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 enterprises for R&D alternative service.

●Acquired the Certification of Taiwan Intellectual Property Management System (TIPS).

●Ranked 227th 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 23rd "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 220th in Top 1,000 Manufacturers 2015 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 2nd Corporate Governance Evaluation.

● The single axis robot module (HM series) won iF and Red Dot awards. 

● Delta Robot, a parallel one, won Taiwan Excellence Silver Award.

● CEO Ranked 25th 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 National Standardization Award” by the Bureau of Standards, Metrology & Inspection, MOEA. 

● New factory started in the 2 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 Taiwan Excellence Silver Award. 

● Ranked in the top 5 percent of listed companies in the 3 Corporate Governance Evaluation.

● Ranked 201 in Top 1,000 Manufacturers 2016 from Common Wealth Magazine.

● Obtained market license from TFDA for the “Bath Assistive Equipment”

● Ranked as No.1 in ASIA 300 Index for 179% market value increased rate in one year by Nikkei Business Publications.

●Awarded 2017 "Good Design Award" in Japan for the electric gripper.

●Awarded "Sustainable Practice Award" by BSI Standard.

●Held the ceremony of new plant started in HIWIN China.

●Held the opening ceremony for "Chuo Yung-Tong Memorial Library".

●CG series won the 26 Taiwan Excellence Silver Award.

●Acquired the Certification of Taiwan Intellectual Property Management System (TIPS) for 4 years in a row.

●Awarded Gold in Taiwan Corporate Sustainability Awards (TCSA) in Electronic Information Manufacturing Group.

●CEO was awarded Outstanding Award in the 4th National Intelligence Award.

●General Manager Enid Tsai was recognized in the 35th National General Manager Award.

2018 ● Ranked in the top 5 percent of listed companies in the 4th Corporate Governance Evaluation.

● Ranked 163rd in Top 1,000 Manufacturers 2017 from Common Wealth Magazine.

● Ranked 534 in Top 1,000 market value in Cross-Strait 2018 from Business Today.

● The endoscope supporting robotic arm MTG-H100 series was awarded the Gold Medal of the 27th Taiwan Excellence Award

● The micro ballscrew Super Z series, was awarded the Silver Medal of the 27th Taiwan Excellence Award

● Received the Certificate of the Taiwan Intellectual Property Management System

● The Equipment Front End Module received the SEMI S2 international safety provisions certification

● The smart ballscrew i4.0BS was awarded the 2018 International Innovation Award

●Received the TCSA's "Top 50 Comprehensive Performances Award", "Individual Performance- Innovative Growth Award", "Individual Performance- Gender Equality Award", "Individual Performance- Talent Development Award", and the Gold Medal for the "Reporting Category - Electronic Information Manufacturing Group"

● Received the "Outstanding Sustainability Award" from the British Standards Institution

● Received an A grade certificate of the Japanese Sumitomo Group's hard labor evaluation

● The subsidiary in Germany received the "Best Supplier Award" from HELLER

● HIWIN signed a memorandum of cooperation with Gyeonggi-do, South Korea

● Received the Ministry of the Interior Alternative Service Excellence Award

● HIWIN Group's President Chuo,Yung-Tsai was recognized by the Harvard Business Review as the 8th most powerful Taiwanese CEO of 2018

● HIWIN Group's President Chuo,Yung-Tsai was named an honorary professor by National Chin-Yi University of Technology

● Senior Manager Chiang, He-Shen was selected as Excellent Accountant

● Collaborated with Mr. Wang-Tse in the Taiwan Design Exhibition, with the HIWIN robotic arms demonstrating their "two arms three kettles" brewing techniques

● Funded the key module for the Earth's largest mechanical flower "Listen to the Blossoms" at the Taichung World Flora Exposition

● HIWIN Robotics collaborated with the National Taiwan Orchestra and dance groups, in a stage performance of "What Happened?"

● HIWIN Robotics integrated inter-departmentally with National Taiwan University of Arts, in the stage performances of "DaDa's Dream Music Note" and "Island Times"

● HIWIN Robotics collaboratively promoted the "Greater Taichung Lychee Value-Adding Preservation Key Technique" project with National Chung Hsing University and the Taiping District Farmers' Association, and held the "Taichung Promotional Event of Beautiful Lychee" in Tokyo, Japan, making an effort for Taiwanese Agriculture

2019 ● The third-generation cooling ballscrew received the Outstanding Award of the Statistics Monitoring Machine Tool Key Components Category at the 2019 14th Annual Machine Tools "R&D Innovative Products" Competition

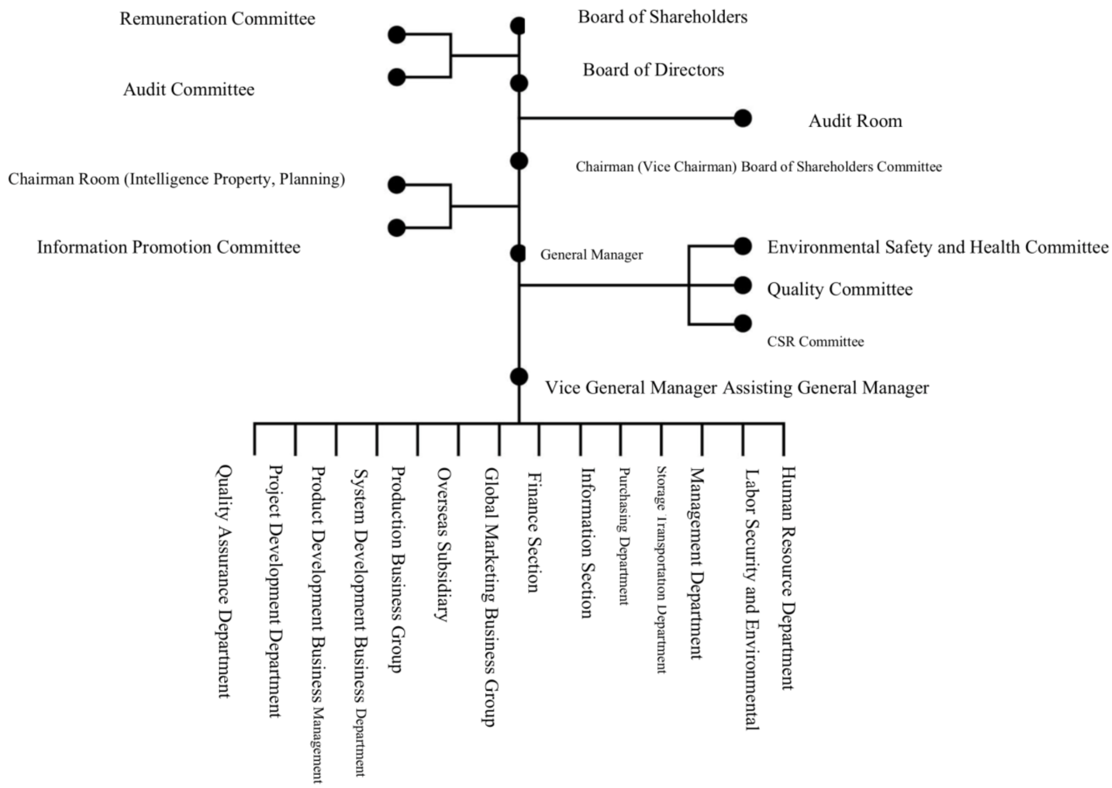
● Passed the Occupational Health and Safety Management System's ISO 45001 International Standards Certification

● Received a ranking of the 9th Place of the CommonWealth Magazine's "2000 Biggest Enterprises", Top 50 Best Operation Performances in Manufacture

III. Corporate Governance Report

i. Organization System

(i) Organization Chart



(ii) Operating Functions of Each Main Department

- **Audit Office**
  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 and Major Managers

(i) Information of Directors

April 30th, 2019
Unit: Shares: %

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position 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
Chairmaan	Taiwan	Chuo,Yun-Tsai	M	20160628	3 Years	19890926	13,535,572	5.03%	13,453,495	4.48%	1,120,992	0.37%			-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	Chairman of this company, HIWIN America (Legal Representative) , HIWIN Germany (Legal Representative) , HIWIN Japan (Legal Representative) , HIWIN Singapore (Legal Representative) , HIWIN South Korea (Legal Representative) , HIWIN China (Legal Representative) , HIWIN Investment Corporation, HIWIN Mikrosystem Corp., Luren Precision Co., Ltd.((Legal Representative) , Eterbright Solar Corporation (Legal Representative) and HIWIN Education Foundation, and supervisor of Chengda Venture Group	Director	Chuo Wenheng	Father and Son

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position 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
Co-Chairman	Taiwan	Chen,Chin-Tsai	M	20160628	3 Years	19891203	3,902,436	1.45%	4,180,956	1.39%	2,909,355	0.97%			-Master of Public Administratio n at University of San Francisco -Master of Accounting at Tamkang University	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.			
Director	Taiwan	Tsai,HueyChin	F	20160628	3 Years	19890926	4,350,649	1.62%	4,372,885						Doctor of Organizational Psychology at Philips Academy	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.			
Director	Taiwan	Lee,ShunChin	M	20160628	3 Years	19891203	12,380,116	4.60%	7,394,267	2.46%		0.10%			Certification of completion in high level management at UC Berkeley Certification of completion in EMBA at Feng Chia University	Chairman of Zhengjie Enterprise Limited, Zhenqiang Limited and Naqiang Limited., and director of Eterbright Solar Corporation			

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position 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
Director	Taiwan	Chuo,Wen-Hen	M	20160628	3 Years	19930816	5,931,765	2.20%	6,112,237	2.03%					Master of Business Administration at Dominican University	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 (Legal Representative) and HIWIN Corporate Management Company, and director and deputy chairman of Eterbright Solar Corporation	Chairman	Eric Y. T. Chuo	Father and Son
Director	Taiwan	Sanko Investments Limited		20160628	3 Years	20040630	3,075,561	1.14%	4,011,651	1.33%						Director of East Steel Co., Ltd. Director of Taiwan Steel Tower Co., Ltd.			
		Representative of San Hsin Investment Co.Ltd. : Huang, You-San	M	20070625				- -	-		1,116,415	0.37%			Chairman of Shengli Iron And Steel Company				
Independent Director	Taiwan	Chiang,Cheng -Ho	M	20160628	3 Years	20080624					209,049	0.07%			Master of Administration at National Chengchi University	Coordinator of the company's Audit, Remuneration Committee			
Independent Director	Taiwan	Chen ,Ching-Hui	F	20160628		20160628									Graduated from College of Management, National Taiwan University	Member of the company's Audit, Remuneration Committee			

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position 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
Independent Director	Taiwan	Tu,Li-Ming	F	20170628	2 Years	20170628									Graduated from Bank Insurance Department of Tamkang University	Member of the company's Audit, Remuneration Committee			

1. Primary Shareholders of Institutional Shareholders

April 30th, 2019

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

2. Information of Directors

Requirements / Name	Whether work experience of over 5 years and professional qualifications below are equipped			Conformity to Independence										The number of other public compani es where posts of independ ent directors are held by these people
	The title ranks above lecturer in department of commerce, law, accounting or related to company business public and private universities and colleges.	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experien ce in commerc e, law, finance, or accounti ng or required by company business	1	2	3	4	5	6	7	8	9	10	
Chairman: Chuo,Yung-Tsai			✓							✓		✓	✓	0
Deputy Chairman: Chen,Chin-Tsai			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	2
Director: Tsai,Huey-Chin			✓				✓			✓	✓	✓	✓	0
Director: Lee,Shun-Chin			✓	✓			✓	✓	✓	✓	✓	✓	✓	0
Director: Chuo,Wen-Hen			✓							✓		✓	✓	0
Director: Representative of San Hsin Investment Co.Ltd.: Huang, You-San			✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Independent Director: Chiang,Cheng -Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Ching-Hui Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Tu,Li-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 Managers, Vice General Managers, Assistant Managers, and Directors of Departments and Branches

April 30th, 2019

Title	Nationality or Registration Place	Name	Gender	Date of Assumption of Duty (Note 1)	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	Relation ship
With Spouse or a Relative Within the Second Degree of Kinship Who Are a Manager	Taiwan	Chuo,Yung-Tsai	M	20111228	13,453,495	4.48%	1,120,992	0.37%	-	-	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	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	Executive Vice General Manager	Chuo Wenheng	Father and Son
General Manager	Taiwan	Tsai,Huey-Chin	F	20080701	4,372,885	1.45%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	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.			
Executive Vice General Manager of Chairman Room	Taiwan	Chuo,Wen-Hen	M	20150201	6,112,237	2.03%	-	-	-	-	Master of Business Administration at Dominican University	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	Chairman	Eric Y. T. Chuo	Father and Son
Vice General Manager of Finance Section	Taiwan	Lin Yifeng	F	20170801	424,809	0.14%	-	-	-	-	Master of Business Administration at Dominican University	Supervisor of HIWIN Japan, HIWIN South Korea and HIWIN China.	-	-	-
Vice General Manager of Chairman Room	Taiwan	Song Xiande	M	20130513	12,000	0.00%	-	-	-	-	Graduate of National Taipei University of Technology	Legal Representative and General Manager of Luren Precision Co., Ltd. Legal Representative of MATRIX, UK	-	-	-

Vice General Manager of Marketing Business Group	Taiwan	Peng Yanqi	F	20150201	19,709	0.01%	-	-	-	-	Master of Information Engineering at University of Southern California	General Manager of HIWIN China.	-	-	-
Vice General Manager of Finance Section	Taiwan	Wu Yueqin	F	20170801	260,487	0.09%	-	-	-	-	Master of Business Administration at Feng Chia University	Legal Representative and Supervisor of HIWIN Mikrosystem Corp., director of HIWIN Education Foundation.	-	-	-
Assistant General Manager of Finance Section	Taiwan	Liao Kehuang	M	20170801	31,548	0.01%	-	-	-	-	Master at Accounting Institute of National Chung Hsing University	Supervisor of Eterbright Solar Corporation Legal Representative of HIWIN Mikrosystem Corp.	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Qu Yueling	M	20150201	43,946	0.01%	7,233	0.00%	-	-	Doctor at Institute of Aerospace of National Cheng Kung University	-	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Wu Junliang	M	20180201	23,340	0.01%	-	-	-	-	Master of Engineering at National Tsing Hua University	-	-	-	-
Assistant Manager of System Development Section	Taiwan	Wang Fuqing	M	20190301	60,437	0.02%	-	-	-	-	Doctor of Mechanics at National Chung Cheng University	-	-	-	-

Assistant Manager of Chairman Room	Taiwan	Yang Chuangbao	M	20190101	6,191	0.00%	21	0.00%	-	-	Master at Mechanics Institute of National Chung Hsing University	General Manager of HIWIN Italy	-	-	-
Senior Assistant Manager of Chairman Room	Taiwan	Huang, Li-Hong	M	20190326	19,343	0.01%	6,670	0.00%	-	-	MBA at New York Institute of Technology	General Manager and Director of HIWIN Japan	-	-	-
Assistant Manager of Chairman Room	Taiwan	Qiu Shirong	M	20110701	24,361	0.01%	5,048,077	1.68%	-	-	Master of Business Administration at University of Massachusetts	General Manager and Director of HIWIN America	-	-	-
Assistant Manager of Chairman Room	Taiwan	Chen, Hong-Ming	M	20180601	3,106	0.00%	-	-	-	-	Graduated from the Department of Accounting of National Taiwan University	Assistant General Manager of HIWIN China	-	-	-
Assistant Manager of Production Business Group	Taiwan	Li Wenbin	M	20180701	12,385	0.00%	-	-	-	-	Master of Mechanics at Feng Chia University	-	-	-	-
Assistant Manager of Production Business Group	Taiwan	Wu, Wen-Chia	M	20170701	4,774	0.00%	-	-	-	-	Master of Mechanics at National Taiwan University	-	-	-	-
Assistant Manager of Production Business Group	Taiwan	Lin Chishiao	M	20170701	7,064	0.00%	5,735	0.00%	-	-	Master of Mechanics at National Chung Hsing University	-	-	-	-
Assistant Manager of the System Development Division	Taiwan	Chiang, Ming-Chun	M	20190216	52,040	0.02%	5,184	0.00%	-	-	Master of Business Administration at Yun-Lin University of Technology	-	-	-	-

Assistant Manager of Business Department	Taiwan	Zhang Kunyao	M	20070401	7,269	0.00%	-	-	-	-	Master of Mechanics at University of Southern California	-	-	-	-
Assistant Manager of Business Department	Taiwan	Yu, Ming-De	M	20180510	-	-	-	-	-	-	Master of Mechanics at Washington State University	-	-	-	-
Assistant Manager of Information Section	Taiwan	Zhang Yongming	M	20160326	-	-	-	-	-	-	Master at Information Engineering Institute of Tunghai University	-	-	-	-
Assistant Manager of Project Development Department	Taiwan	Dong Chengwei	M	20170701	3,053	0.00%	-	-	-	-	Master of Information Management at National Chung Shan University	-	-	-	-
Assistant Manager of Quality Assurance Department	Taiwan	Chou Yishow	M	20180322	-	-	-	-	-	-	Master of Industrial Management at Tunghai University	-	-	-	-

Note 1: Date of Assumption of Current Position

Note 2: Incumbent at Date of the Report's Publication

(iii) Remunerations of Directors and Primary Managers in the Past Year

1. Remunerations of Directors (Including Independent Directors)

Unit: NTD Thousand

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)		Directors' Remuneration (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	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus	This Company	All Companies in the Financial Report	
Chairman	Chuo,Yung-Tsai	-	-	-	-	61,545	61,545	14,002	15,956	1.40%	1.44%	24,902	24,902	-	-	13,638	-	13,638	-	2.11%	2.15%	16,290
Co-Chairman	Chen,Chin-Tsai	-	-	-	-	41,030	41,030	240	240	0.77%	0.77%	-	-	-	-	-	-	-	-	0.77%	0.77%	-
Director	Tsai,Huey-Chin	-	-	-	-	20,515	20,515	143	143	0.38%	0.38%	22,198	22,198	110	110	7,435	-	7,435	-	0.93%	0.93%	-
Director	Lee,Shun-Chin	-	-	-	-	20,515	20,515	120	120	0.38%	0.38%	-	-	-	-	-	-	-	-	0.38%	0.38%	10
Director	Chuo,Wen-Hen	-	-	-	-	20,515	20,515	120	145	0.38%	0.38%	13,841	13,841	72	72	7,435	-	7,435	-	0.78%	0.78%	-
Director	Representative of San Hsin Investment Co.Ltd.: Huang, You-San	-	-	-	-	20,515	20,515	120	120	0.38%	0.38%	-	-	-	-	-	-	-	-	0.38%	0.38%	-
Independent Director	Chiang,Cheng -Ho	-	-	-	-	20,515	20,515	120	120	0.38%	0.38%	-	-	-	-	-	-	-	-	0.38%	0.38%	-
Independent Director	Chen,Ching-Hui	-	-	-	-	20,515	20,515	120	120	0.38%	0.38%	-	-	-	-	-	-	-	-	0.38%	0.38%	-
Independent Director	Tu,Li-Ming	-				20,515	20,515	120	120	0.38%	0.38%	-	-	-	-	-	-	-	-	0.38%	0.38%	-

Note 1: It includes the company car costs NT$ 13. 619 thousand and excludes annual salaries of drivers NT$ 1.394 thousand.

Note 2: It includes the company car costs NT$ 10.830 thousand and excludes annual salaries of drivers NT$ 1.367 thousand

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 Chuo,Yung-Tsai as Chairman of HIWIN Mikrosystem Corp.

2. Remuneration of CEO, General Managers, and Vice General Managers

Unit: NTD Thousand

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	Chuo,Yung-Tsai	34,216	36,513	814	814	77,015	78,238	51,747	-	51,747	-	3.03%	3.09%	16,787
General Manager	Tsai,Huey-Chin													
Executive Vice General Manager of Chairman Room	Chuo,Wen-Hen													
Senior Vice General Manager of Finance Section	Lin Yifeng													
Vice General Manager of Chairman Room	Song Xiande													
Vice General Manager of Marketing Business Group	Peng Yanqi													

Vice General Manager of Finance Section	Wu Yueqin														
Assistant General Manager of Chairman Room	Qu Yueling														
Assistant Manager of Finance	Liao Kehuang														
Assistant General Manager of Chairman Room (Note 4)	Wu, Chun-Liang														

Note 1: It includes the company car costs NT$ 16.036 thousand and excludes annual salaries of drivers NT$ 1.367 thousand.
Note 2: Employee remunerations were NT$ 492,363 thousand in 2017, 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 Chuo,Yung-Tsai as Chairman of HIWIN Mikrosystem Corp.
Note 4: Wu, Chun-Liang assumed his post on February 1st, 2018

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
Below NT$ 2,000,000		
2,000,000 (Including) ~5,000,000 (Excluding)		
5,000,000 (Including) ~10,000,000 (Excluding)	Qu Yueling, Liao Kehuang, Wu, Chun-	Qu Yueling, Liao Kehuang, Wu, Chun-
10,000,000 (Including) ~15,000,000 (Excluding)	Lin Yifeng, Song Xiande, Wu Yueqin,	Lin Yifeng, Song Xiande, Wu Yueqin,
15,000,000 (Including) ~30,000,000 (Excluding)	Tsai,Huey-Chin, Chuo,Wen-Hen, Peng	Tsai,Huey-Chin, Chuo,Wen-Hen, Peng
30,000,000 (Including) ~50,000,000 (Excluding)	Chuo,Yung-Tsai	
50,000,000 (Including) ~100,000,000 (Excluding)		Chuo,Yung-Tsai
Above NT$ 100,000,000		
Total	10 People	10 People

3. Name of Managers Distributing Employee remunerations and Distribution Status

April 30, 2019
Unit: NTD Thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to to Net Profit After Tax (%) (%)
General	Chairman and CEO	Chuo,Yung-Tsai	-	72,180	72,180	1.34%
	General Manager	Tsai,Huey-Chin				
	Executive Assistant Manager of Chairman's Room	Chuo,Wen-Hen				
	Senior Assistant Manager of Finance	Lin Yifeng				
	Vice General Manager of Chairman Room	Song Xiande				
	Vice General Manager of Marketing Business Group	Peng Yanqi				
	Vice General Manager of Finance Section	Wu Yueqin				
	Assistant General Manager of Finance Section	Liao Kehuang				
	Assistant General Manager of Chairman Room	Qu Yueling				
	Assistant General Manager of Chairman Room	Wu, Chun-Liang				
	Assistant Manager of the System Development Division	Wang, Fu-Ching				
	Senior Assistant Manager of Chairman's Room	Yang, Chuang-Baao				
	Senior Assistant Manager of Chairman's RoomRoom	Huang, Li-Hong				
	Assistant Manager of Chairman's Room	Chiu, Hsih-Rong				
	Assistant Manager of Chairman's Room	Chen, Hong-Mingg				
	Senior Assistant Manager of Manufacture Group	Li, Wen-Bin				
	Senior Assistant Manager of Manufacture Group	Wu, Wen-Chia				
	Senior Assistant Manager of Manufacture Group	Lin, Chi-Shiao				
	Assistant Manager of System	Chiang,Ming-Chun				

	Development					
	Assistant Manager of Business Department	Chang,Cun-Yao				
	Assistant Manager of Business Department	Yu,Ming-De				
	Assistant Manager of Information Department	Zhang,Yong-Ming				
	Assistant Manager of Project Development Department	Dong, Chen-Wei				
	Assistant Manager of Quality Assurance Department	Dong, Yi-Hsiu				

Note 1: Employee remunerations were NT$ 492,363 thousand in 2018, 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: Incumbent at Date of the Report's Publication

(iv) Analysis of the Ratio of the Total Remuneration Given to Directors, 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, Business Performance, and Future Risk:

1. Analysis of the Ratio of the Total Remuneration Given to Directors, 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

Item / Title	Ratio of the Total Remuneration to the Net Profit After Tax			
	2018		2017	
	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report
Director	6.51%	6.54%	7.10%	7.15%
CEO, General Manager and Vice General Manager	3.04%	3.10%	4.37%	4.47%

Note 1. The net profit after tax belonging to the parent company in 2018 was NT$ 5,392,257 thousand dollars.

Note 2. The net profit after tax belonging to the parent company in 2017 was NT$ 2,738,019 thousand dollars.

(1) This company's board of directors passed the distribution resolution of remunerations of employees, directors and supervisors for 2018 on March 26, 2019. NT$492,363 thousand for employees and NT$ 246,182 thousand for directors and supervisors, accounting for 9.13% and 4.56% respectively of the net income after tax in 2017. 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 remunerations for the part-time employees, 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 withhold 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.

iii. Implementation of Corporate Governance

(i) The Operation of Board of Directors

1. The Board of Directors held 8 meetings(A) in 2018. The actual attendance rate of all directors of the board are: 63/72=87.5%, individual director attendances are as follows:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Chairman	Chuo,Yung-Tsai	8	0	100.0%	
Deputy Chairman	Chen,Chin-Tsai	5	3	62.5%	
Director	Tsai,Huey-Chin	6	2	75.0%	
Director	Lee,Shun-Chin	7	1	87.5%	
Director	Chuo,Wen-Hen	7	1	87.5%	
Director	Representative of San Hsin Investment Co.Ltd.: Huang, You-San	7	1	87.5%	
Independent Director	Chiang,Cheng -Ho	7	1	87.5%	

Independent Director	Chen,Ching-Hui	8	0	100.0%	
Independent Director	Tu,Li-Ming	8	0	100.0%	

Other Essential Information:

1. For all items listed in Item 3, Clause 14 of the Securities Exchange Act: The company has established an audit committee, it is not regulated by provisions of Item 3, Clause 14 of the Securities and Exchange Act. Descriptions regarding Item 5, Clause 14 of the Securities Exchange Act, please refer to the operation of the Audit Committee of this annual report
2. In addition to the pre-opening matters, other directors' resolutions that have been objected to or retained by independent directors and have a record or written statement: None
3. The implementation of the motion regarding the directors' avoidance of interest:

   Board meeting of June 27th, 2018:

   Content of Motion: Lifting the manager's non-competition prohibition

   Directors avoiding interest: Chuo,Yung-Tsai, Tsai,Huey-Chin, Chuo,Wen-Hen

   Reason of interest avoidance and participation in voting: According to regulations in Article 206 of the company law, except for directors Chuo,Yung-Tsai、 Tsai,Huey-Chin、 Chuo,Wen-Hen, who are required to avoid participating in the vote of lifting the manager's non-competition prohibition, the remaining directors in attendance passed unanimously.

   Board meeting of July 16th, 2018:

   Content of Motion: Cash increase manager's stock subscription

   Directors avoiding interest: Chuo,Yung-Tsai, Tsai,Huey-Chin, Chuo,Wen-Hen

   Reason of interest avoidance and participation in voting: According to regulations in Article 206 of the company law, except for directors Chuo,Yung-Tsai、 Tsai,Huey-Chin、 Chuo,Wen-Hen who are required to avoid participating in the vote of cash increase manager's stock subscription, the remaining directors in attendance passed unanimously.

   Board meeting of May 6th, 2019:

   Content of Motion: Lifting the directors' and their proxies' non-competition prohibition

   Directors avoiding interest: Chuo,Yung-Tsai, Chen,Chin-Tsai, Lee,Shun-Chin, Tsai,Huey-Chin, Chuo,Wen-Hen, Representative of San Hsin Investment Co.Ltd.: Huang, You-San

   Reason of interest avoidance and participation in voting: According to regulations in Article 206 of the company law, except for directors Chuo,Yung-Tsai, Chen,Chin-Tsai, Lee,Shun-Chin, Tsai,Huey-Chin, Chuo,Wen-Hen, Representative of San Hsin Investment Co.Ltd.: Huang, You-San who are required to avoid participating in the vote of lifting the directors' and their proxies' non-competition prohibition, the remaining directors in attendance passed unanimously.
4. Evaluation of implementation of goals for increasing the functions of the board of directors (establishing the Audit Committee and increasing information transparency, etc.) in the current and last fiscal years
   1. Goals to increase the diversity of the Board

      The Company emphasizes on the diversity of the Board. Besides the gender equality, capability of operation management, risk management, and professionalism on finance and accounting...etc., are the considering factors when nominating a director. Each gender has reached 1/3 in the board members.
   2. Execution evaluation

      The company 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. Due to the impact of the silent period of cash increase in 2018, the legal briefing was only held twice

(ii) The Operation of the Audit Committee:

The Audit Committee is formed by three independent directors. They are in charge of reviewing the content of the Company's financial statement, employing or deploying of the CPAs and its independence and performance, effectively implementing the Company's internal control, complying related laws and regulations, and controlling the potential or existing risk of the Company. Their main duties are as follow:

(1) In accordance with Item 1, Clause 14 of the Securities and Exchange Act, establish or amend the Internal Control System Statement.
(2) Evaluate the effectiveness of the Internal Control System Statement.
(3) In accordance with Item 1, Clause 36 of the Securities and Exchange Act, establish or amend the procedure of significant financial business behaviors such as obtain or dispose assets, trade on derivative goods, capital loan to others, and endorse or guarantee for others.
(4) Issues involving personal interests of the directors.
(5) Major assets or derivative goods trade.
(6) Major capital loans, endorsement, and guarantees.
(7) The offering, issuance, or private placement of any equity-type securities.
(8) Employment, deployment, and compensation of the CPAs.
(9) Appointment on Finance, Accounting, and internal audit managers.
(10) Annual and semi-annual financial reports
(11) Other major issues under the regulations of the company or competent authority.

2018 Audit Committee Items of Discussion are included below:

(1) Financial Report Auditing, Accounting Policies and Process
(2) Major derivative commodity transaction
(3) Major fund loans and endorsements or guarantees
(4) Raise or issue securities
(5) Regulation compliance
(6) Anti-fraud scheme and fraud investigation
(7) Company risk management
(8) CPA qualification, independence and competence
(9) CPA appointment and remuneration

The audit committee held 5 meetings (A) in 2018 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	4	1	80%	
Independent Director	Chen Qinghui	5	0	100%	
Independent Director	Tu Limin	5	0	100%	

Other Essential Information:

1. Items listed in Article 14-5 of the Securities Exchange Act (please refer to this report's third chapter, the company's governance situation: the shareholders meeting's and board meeting's important resolutions)
2. In addition to the pre-opening matters, other resolutions that have not been approved by the audit committee and two-thirds of the entire board of directors: None
3. 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
4. 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):
   (1) 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. Independent directors and internal audit managers convene at least two meetings each year, submitting reports concerning the company's internal auditing and control situation; meetings will be held whenever major events occur
   (2) 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.
   (3) Independent directors, internal audit managers, and CPAs have direct communicating channels, audit managers'

report auditing items and major discoveries the audit committee and to independent directors and directors at board meetings, the communicating situation as of the date of the report's publication in 2018 are as follows and are listed on the following website:
http://www.HIWIN.com.tw/stock/Independent_directors_communicate.aspx

Independent Director and Internal Audit Supervisor	
Date	Motion Content and Handling
2019.3.26 The thirteenth session of the first session	1. Reporting audit priorities and results to independent directors
	2. Issue the company's 2018 annual internal control system statement
2018.12.11 The tenth time of the first session	1. Reporting the audit focus and results to the independent director
	2. Report the results of the subsidiary inspection to the independent directors
2018.8.9 The ninth time of the first session	1. Reporting the audit focus and results to the independent directors
2018.3.22 The eighth time of the first session	1. Reporting the audit focus and results to the independent directors
	2. Issue the company's 2017 internal control institution statement

Independent Director and CPAs

Date	Motion Content and Handling
2019.3.26 The thirteenth session of the first session	1. Accountants explained the results of the 2018 consolidated financial report and discussed the findings
	2. The accountant reports to the independent director on the results of the internal control check
	3. The IFRSs Bulletin Amendments and New Acts Report to Independent Directors
	4. Accountants discuss and communicate with the questions raised by independent directors
2018.12.11 The tenth time of the first session	1. Report on key check matters
	2. Accountants discuss and communicate with the questions raised by independent directors
2018.8.9 The ninth time of the first session	1. Accountants explained the results of the review of the consolidated financial statements for the first half of 2018 and discussed the findings
	2. Accountants report to independent directors on new laws and accounting principles
	3. Accountants discuss and communicate with the questions raised by independent directors
2018.3.22 The eighth time of the first session	1. Accountants explained the results of the 2017 consolidated financial report and discussed the findings
	2. The accountant reports to the independent director on the results of the internal control check
	3. IFRSs bulletin revised report to independent director
	4. Accountants discuss and communicate with the questions raised by independent directors

(4) The Company regularly convene an audit committee, and invites accountants and auditors to attend the meeting and invite relevant supervisors to attend as needed

(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			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
1. Does the company set and disclose corporate governance best practice principles according to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		This company sets its own "Corporate Governance Best Practice Principles" according to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"; there are no major differences between its implementation and the principles it has set; it'll continue to promote the implementation of corporate governance according to relevant provisions.	None
2. The Company's shareholding structure and stockholders' equity (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and treat them based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (3) Does the company establish and execute the risk management and firewall mechanisms between it and affiliated companies? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V V V V		(1) The company has established an internal operation procedure and designated related departments to handle shareholders' suggestions or disputes; it has also established a spokesperson system, so there's a person responsible for responding to shareholders' questions, including suggestions, doubts, disputes and litigation. (2) The company knows the shareholding of its directors, managers and major shareholders holding over 10% of its shares at all times. (3) The company has established related internal control systems and firewall mechanisms, such as rules governing the management of its subsidiaries and procedures for loan, endorsement and guarantee according to law and regulations. (4) The company has established "Procedure for Precaution against Insider Trading and Internal Significant Information Processing" to expressly prohibit insiders from trading marketable securities using undisclosed information; besides, Article 37 of "Corporate Governance Best Practice Principles" also stipulates that board members shall do their duties loyally, bear their duties of care and exercise their powers in a highly disciplined and prudent way; the audit department evaluate whether the procedure execution above meet the rules irregularly by random checks, and the company has also emphasized precaution against insider trading to directors and supervisors.	None

3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for its members? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	V V	 V V	(1) The company has set "Corporate Governance Best Practice Principles" which writes that board members should pay attention to gender equality and be equipped with knowledge, skills and qualities necessary for performing their duties; it has indeed executed such principles. The current 9 board members include 3 female directors. Besides the gender equality, capability of operation management, risk management, and professionalism on finance and accounting...etc., are the considering factors when choosing board members, so it'd correspond the policy of diversity of the board members. (2) This company has set a compensation committee according to law and no other functional committees at present. (3) Though this company hasn't set performance evaluation methods of the board of directors, it discusses the board's operation performance annually and suggests improvements; it'll work out performance evaluation methods in the future and then evaluate the board performance annually. (4) The company 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, or have direct or indirect financial interest, and they're not shareholders of the company. Their evaluation of independence is complete and passed. The company has completed CPA performance evaluation of 2018 and is approved by the Audit Committee and the Board's meeting on December 11th, 2018 that meet the function of corporation governance and the Board. The evaluation result can be found on the company website. The audit fees for accountants in 2018 and 2019 have been approved by the board of directors of the company meetings on March 22nd, 2018 and November 11th, 2018.	None
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	V		In order to promote corporate governance and effectively play the role of the board of directors, the company has set up a full-time corporate governance unit under the Finance Department on the board of directors of March 26th, 2019 in accordance with Articles 20 and 22 of the "Listing of Board	None

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 board meeting and shareholders' meeting)?			of Directors and the Key Points to Be Examined by the Board of Directors". The company's corporate management personnel are also served by the senior deputy general manager of the Finance Department Lin Yifeng. They have the experience of managing the financial, shareholder or deliberation of the public offering company for more than three years, and the qualifications are in compliance with the regulations (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 board 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. (4)To make sure the board members receive the important message of the company immediately; the company will send notice to the Board members right after releasing important message, and arrange professional knowledge courses of Finance and Sales...etc for the directors. (5)Irregularly call for communication meetings with Accountants, Independent Directors, and Audit Managers, to follow through internal audit and internal control system. Meeting minutes can be found on the company website. (6)Regularly update the board members on the updated regulations of company operation field and corporation governance. (7)Review, design, and plan on the company's internal control system to keep efficiency and flexibility of the corporation governance management and coordinate related issues in cross departments. (8)Matters related to the board and shareholders have been successfully completed in 2018, and business developments have been listed in the board meeting proposal on March 26th, 2019, primary implementations are as follows: 1.Assist directors and independent director execute their duties, provide relevant information and arrange for their refresher course	

			2.Assist in the board of directors and shareholders' meeting procedures and resolutions, such as reporting on corporate governance and major issues related to important board resolutions 3.The agenda of the board of directors shall be notified to the directors seven days in advance, the meeting shall be convened and the meeting materials shall be convened. If the issues need to be avoided, prior notice will be given, and the minutes of the board meeting will be completed within 20 days after the meeting 4.Conduct date registration of the stock meeting in accordance with the law, making a notice of the meeting within the statutory time limit, the proceedings manual and the proceedings Those listed above have been completed in 2018 (9)Corporate governance personnel participated in the accounting managers' refresher course of the issuer's securities firm's stock exchange, which was established by the Stock Exchange in 2018, for a total of 16 hours	
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 "Interested Parties Section" 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. The company also has speaker corner and website for shareholder column email and investor related email, also set up corresponding windows for sales management and operation items. In the interested parties section, if there is any question, suggestion, or complain, the interested parties may contact the CEO, General Manager, Independent Directors, Audit Room, or special contact window for the interested parties by the emails provided in this section for smooth and effective communication channels.	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 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)?	V V		(1) The company has established a Chinese/English website, and has a dedicated department for collecting related information to post them on the website; it also has a spokesperson system, designated personnel is responsible for dealing with issues related to legal persons and investors, the website has ways of communication including telephone and e-mail (2) The company convenes investor conferences on May, August, and November 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. Conferences were held in May, Aug, and Nov 2018. (The conference originally scheduled in August wasn't held due to the silent period for cash replenishment)	None

8. Does the Company have other important information that is helpful for understanding the status of corporate governance?

Yes, description as follow:

(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.32 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.

Statistics of items handled in 2018:

Year	Management Institution	Employee Benefits	Gender Equality	Number of Completed Items	Degree of completion
2018	13	0	0	13	100%

(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 26, 2019:

Investee	Insurance Company	Amount Insured	Insured Duration
All directors and managers	Chubb Limited	500 million U.S. dollars (approximately NTD 152,500 thousand)	March 27th, 2018~March 26th, 2019

(6)Courses about corporate governance and regulation attended by the company's directors in 2018 are listed below:

Title	Name	Dates	Course	Hours
Chairman	Chuo Yung-Tsai	September 4th, 2018	Corporate Governance and Securities Regulations	
		May 22nd, 2018	Trend Analysis of Alterations in the Company Law supervisors are required to comprehend	3
Co-Chairman	Chen Ching-Tsai	March 5th, 2018	Electronic Voting 100% and company value promotion forum	6
		January 8th, 2018	Digital Transformation— Starting by strengthening the board's position	3

Director	Li Hsun-Chi	June 1st, 2018	Examining hidden information embedded within financial reports	3
		May 15th, 2018	Corporate innovation, information technology, and competitive advantages supervising directors are required to comprehend	3
Director	Chuo Wen-Heng	November 21st, 2018	Chinese Family Enterprise Forum	3
		March 27th, 2018	Items the board and shareholders' meeting should be aware of	3
Director	Tsai Huey-Ching	July 3rd, 2018	Annual Meeting of Institute of Directors	3
		March 29th, 2018	Corporate Governance and CSR Development Trends and Model Practice	3
Director	Representative of San-Hsin Investments Co., Ltd.: Huang You-San	December, 2018	Advanced Discussions on Directors and supervisors (including independent) Practices— Money laundering and Provision compliance	3
		December 20th, 2018	Advanced Discussions on Directors and supervisors (including independent) Practices— Supervisors' legal responsibilities on dishonest financial reports	3
Independent Director	Chiang Cheng-He	May 22nd, 2018	Director decisions on how to avoid betraying trust and non-regular transactions	3
		May 18th, 2018	How directors fulfill the duties they should be aware of	3
Independent Director	Chen Ching-Hui	May 29nd, 2018	Director decisions on how to avoid betraying trust and non-regular transactions	3
		May 18th, 2018	How directors fulfill the duties they should be aware of	3
Independent Director	Tu Li-Ming	May 29nd, 2018	Director decisions on how to avoid betraying trust and non-regular transactions	3
		May 18th, 2018	How directors fulfill the duties they should be aware of	3

(7) Courses about corporate governance and regulations attended by financial and auditing managers in 2018 are listed below:

Title	Name	Dates	Course	Hours
Assistant General Manager of the Financial Department (Financial Manager)	Lin Yi-Feng	August 16th~17th, 2018	Continuing Refresher Course of Issuers Securities Exchange Accounting Manager	12
Manager (Auditing Manager)	Chen Shih-Rong	October 29th, 2018	Corporate Cost Saving and Auditing Restrictions of competitive strategies	6
		December 3rd, 2018	How internal auditors' precaution against corporate fraud and big data analysis application	6

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

9 persons with CPA, 3 persons with US CPA, one person with IT CPA, one person with UK CPA and 3 persons with CIA (audit manager with CIA).

(9) Diversity of Directors

The board of directors of the company has rich experience and expertise in the fields of finance, business and management. In addition, the company also pays attention to the gender equality of the members of the board of directors. The current board of directors includes three female directors, and the female directors account for 33% of the directors. When selecting directors, they also assess the management and management capabilities of the board members. Processing capacity, financial accounting professional, etc., to implement the policy of diversification of the board of directors of the company, the implementation situation is as follows:

Director's Name	Nationality	Gender	Also serves as an employee of the company	Age			Corporate experience		Professional skills		
				Below 50	61~70	Above 71	Banking	Asset Management	Accounting	Law	Risk Management
Chuo Yung-Tsai	R.O.C.	Male				V	V	V	V	V	V
Chen Ching-Tsai	R.O.C.	Male				V			V	V	V
Tsai Huey-Ching	R.O.C.	Female	V		V			V		V	V
Li Hsun-Chi	R.O.C.	Male			V			V			V
Chuo Wen-Heng	R.O.C.	Male	V	V				V			V

Representative of San-Hsin Investments Co., Ltd.: Huang You-San	R.O.C.	Male				V		V			V
Chiang Cheng-He	R.O.C.	Male			V		V		V		V
Chen Ching-Hui	R.O.C.	Female			V		V		V		V
Tu Li-Ming	R.O.C.	Female			V		V		V		V

Director's Name	Operation Judgement	Accounting and Finance	Operational Management	Problem Solving	Industry Knowledge	International Market Perspective	Leadership Skills	Decision-making Skills
Chuo Yung-Tsai	V	V	V	V	V	V	V	V
Chen Ching-Tsai	V	V	V	V	V	V	V	V
Tsai Huey-Ching	V		V	V	V	V	V	V
Li Hsun-Chi	V		V	V		V	V	V
Chuo Wen-Heng	V	V	V	V	V	V	V	
Representative of San-Hsin Investments Co., Ltd.: Huang You-San	V	V		V	V		V	V
Chiang Cheng-He		V			V	V		
Chen Ching-Hui		V			V	V	V	
Tu Li-Ming		V			V	V	V	

(10) The company attaches great importance to the disclosure and disclosure of information. It regularly or irregularly exposes relevant information of the company on the public information observatory or company website. In the year of 2018, it also publishes 43 major messages in both Chinese and English, so that investors can know the status of the company's operations and important information in real-time.

(11) The company has established an information security risk management structure as follows:

<table>
<tr><td colspan="8">HIWIN Technologies— Information Security Risk Management Network</td></tr>
<tr><td colspan="6">Internal</td><td colspan="2">External</td></tr>
<tr><td>Corporate Management Level</td><td>Corporate Governance</td><td colspan="2">Information Security Policy</td><td colspan="2">Stakeholder</td><td>Professional Info Security Firm</td><td>External Inspection</td></tr>
<tr><td rowspan="3">Information Office</td><td>Information Security Operating Regulations</td><td colspan="2">Internal Control Management Provisions</td><td>Info Security Risk and Safety Evaluation</td><td>Inspections Office</td><td>New Info Security Threat Educational Training</td><td rowspan="6">Regular Info Security Inspection</td></tr>
<tr><td colspan="2">Information hard/software asset management</td><td colspan="2">Info Security Controlling Management System</td><td rowspan="3">Regular info security inspection</td><td rowspan="2">New Information Technology Educational Training</td></tr>
<tr><td>Program Source Code Management</td><td colspan="2">Safety Settings Alteration</td><td>White-list program list</td></tr>
<tr><td>Department of Info System Users</td><td>Information Operation and Mnagement</td><td colspan="2">Daily Operations Irregularity Report</td><td>Client Supplier Management</td><td>Info Security System Proposals</td></tr>
<tr><td rowspan="2"></td><td colspan="5">Information Security Educational Training</td><td rowspan="2">Info Security Weakness Assessment</td></tr>
<tr><td colspan="5">Information Security Organization Culture and Awareness</td></tr>
</table>

Information security policies and specific management plans have been formulated as well:

The Company fully understands the information security of the company's current and future competitive advantages. In order to enhance the overall information security awareness and establish various safety management action standards, the company establishes information security policies in accordance with the company's operational and management objectives and laws or regulations. To ensure that the company's information security management system can be implemented, operated and continued to maintain the confidentiality, integrity and availability of various information assets within the company and through the joint efforts of all employees, the following objectives are achieved:

(1) Formulate information security operation specifications, specify safety management objectives and operational points, and implement the promotion.
(2) Establish security measures such as identity authentication and access control, and strengthen the internal and external information release process control and review to prevent leakage, error or tampering of confidential information.
(3) Establish an inter-departmental information security organization to develop, promote, implement and evaluate improved information security management issues to ensure that the company has an information-based environment in which the business can continue to operate.
(4) Handle information security education and training to strengthen employees' awareness and compliance with information security.
(5) Establish and implement an information security risk assessment mechanism to ensure the effectiveness and immediacy of information security management.
(6) Implement an internal audit system for information security to ensure the implementation of information security management.
(7) Regularly review and continuously improve the company's information security management system.

Properly controlling the company's data, systems, equipment and network security is the best protection for the company, shareholders, employees, customers and suppliers. To this end, the company continues to strengthen its ability to protect information security and enhance employees' The correct concept and alertness of information security protection, and reduce the risks associated with information operations, also require outsourcing service providers and visitors to comply with the implementation of relevant safety management regulations, any behavior that jeopardizes information security, regardless of anyone, the company will According to the seriousness of the case, pursue civil, criminal and administrative responsibilities or conduct consultations according to the relevant regulations of the company, demonstrating the company's determination to defend information security. The company also sets the following normative points and management plans for information security objectives:

(1) Information security organization.
(2) Personnel safety management and information security education and training.
(3) Computer system security management.
(4) Network security management.
(5) System access control.
(6) Application system development and maintenance security management.
(7) Asset security hierarchical management.
(8) Physical and environmental security management.
(9) Planning and management of business sustainability plans.

In case of violation of the company's information security regulations, the company will always resort to appropriate disposal procedures or legal actions, and all employees of the company should know that all information obtained during the work period is the company's assets, if not allowed, any other unauthorized use is prohibited.

9. Please comment on the results of the recent corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and propose priorities and measures for those who have not yet improved.
The Corporate Governance Center of the Stock Exchange announced the fifth corporate governance evaluation. The company ranked 6%-20% of the listed companies. It can be seen that the efforts in implementing corporate governance have been affirmed.

(1)Hold the shareholders' meeting before the end of May: The company is actively evaluating whether to hold the shareholders' meeting in advance in May.
(2)Announce the annual financial report within two months after the end of the fiscal year: In the accountant's research, this is the goal of the company's medium-term efforts.
(3)Voluntary Announcement Financial Forecast Information: The Company has no plans to voluntarily announce annual financial forecast data.
(4)Annual Report Voluntary disclosure of individual directors' remuneration: Based on the protection of personal data, it will not be disclosed for the time being, and will be re-evaluated in the future.
(5)The company signs a group agreement with the employees: The company has not established a professional association, and it is not necessary to sign a group agreement according to the group agreement law. If the association is established, it will be implemented according to the regulations.
(6)Directors' performance appraisal method: The company intends to set the board performance appraisal method in 2019, and has begun to collect relevant information

Note: CPA Independency and Competency Evaluation Criteria

No.	Evaluation Item	Is the evaluation outcome independent	
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 business 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	Has 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, supervisors, managers or persons having significant impacts on the audit case?	No	Yes
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
15	Does the accountant regularly participate in the shareholders' meetings and attend meetings of the audit committee and the board of directors if necessary?	Yes	Non-applicable
16	Does the accountant provide relevant training for the company?	Yes	Non-applicable
17	The company's financial statements have not been corrected by the competent authority	Yes	Non-applicable

Conclusion of Evaluation: Certified Public Accountants Yan, Hsiao-Fang and Tseng, Dong-Rong from Deloitte Touche Tohmatsu Limited are in line with the Company's independence and compliance evaluation standards, they are sufficient to serve as a visa accountant for the company.

(IV) Composition, Responsibilities and Operation of the Remuneration Committee:

1. Information of Remuneration Committee Members

Title	Requirements / 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 director s 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, Zheng-He			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent Director	Chen, Qing-Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent Director	Tu, Li-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	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)Regularly review the organizational rules of the Compensation Committee and assess whether to propose amendments.

3.Operation of the Remuneration Committee

(1)The committee has 3 members.

(2)The Remuneration Committee held 3 (A) meetings in 2018 and the qualifications of the committee members as well as their attendance records are shown below:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Convener	Jiang, Zheng-He	3	0	100.0%	
Member	Chen, Qing-Hui	3	0	100.0%	
Member	Tu, Li-Ming	3	0	100.0%	

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.

(3)The Remuneration Committee's date of meetings, content of proposals, and the company's handling of the committee's opinions in the recent year

The Remuneration Committee	Proposal Content and Subsequent Handling	Proposal Outcome	The company's handling of the committee's opinions
4th Session, Third Committee March 22nd, 2018	Employee and Director Remuneration of 2018	Approved by all members	Approved by all attending directors
5th Session, Third Committee May 10th, 2018	Annual salary of the assistant general manager of the China subsidiary	Approved by all members	Approved by all attending directors

6th Session, Third Committee July 16, 2018	Cash increase manager's stock subscription of 2018	Approved by all members	Approved by all directors not required to avoid interests
7th Session, Third Committee March 26, 2019	Employee and Director Remuneration of 2018	Approved by all members	Approved by all attending directors

(V) Fulfillment of Social Responsibility:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
1. Implementation of Corporate Governance (1) Has the company established a corporate social responsibility policy or system and reviewed the implementation results? (2) Does the company periodically hold educational training on social responsibilities? (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? (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?	V V V V		(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. (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. A total of 362 related courses were held in 2018, which 9,248 people attended and	None

			totaled 7,095 hours. (3)The Company set up a CSR Committee under the management of the CEO to promote corporate social responsibility. Members of the Committee include Chairman Room, Management Department, Labor Security and Environmental Protection Department, Human Resource Department, Financial Office and Planning Section; the general manager is responsible for setting the Company’s vision of corporate social responsibility; relevant units convene meetings irregularly and report the year’s implementation plan and results to the Board, which, after discussion, would be listed as a Board report, and should be reported once every year, the 201 execution results and 2019 plans have been listed in the board meeting report of May 6th, 2019. CSR committee pays attention to issues related to education, economy, environment and socially vulnerable group. The Committee’s responsibilities are as follows: 1.Responsible for formulating corporate social responsibility-related systems, policies, and promotional programs 2.Co-ordination and validation of the production of corporate social responsibility reports. 3.Review corporate social responsibility policies and systems regularly, and hold meetings to track progress of various projects. 4.Approval of other matters related to corporate social responsibility or for future references. 5.Maintain communication and interaction between various functional organizations and stakeholders, and management of all major issues regarding to corporate social responsibility. Please refer to the 2018 CSR Report for details (4) The Company and its subsidiaries have established salary and compensation policies according to the relative contribution of duties, to provide employees with reasonable salaries. All salary adjustments and promotions 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; to encourage employees to strive for better results, the Company allocates a certain percentage of profit surplus as a basis for employee dividends, thereby sharing surplus results with colleagues, and review various salary and welfare systems. By doing so, the Company hopes to achieve “external competitiveness” for salaries that attract and retain outstanding talents. And the "Remuneration Committee" regularly reviews the rationality of the Company’s remuneration system. For employees to grow along with the company , HIWIN vigorously plans professional training require by work tailored for employees, letting employees maintain new knowledge and use their learning at work; all official employees have to undergo a regular evaluation, and new personnel have a newcomer evaluation within the first month and first three months, incumbent employees have a quarterly work performance review, there are four quarter	

			evaluation and an year-end assessment annually, reviewing the work process constantly and maintain improvement, boosting performance and receive promotions, 954 employees have been promoted in 2018.According to the company's articles of association, if the company's annual final accounts are profitable, it should raise 1. The employee's compensation should be no less than 1%. 2. The directors' remuneration should not be higher than 4%. The compensation of employees is decided by the board of directors and distributed in stocks or cash. The payment of directors' compensation is paid in cash. Also, supervisors are expected to regard the employee's input and cooperation with CSR-related activities as a positive input, and provide positive award for his/her effort in the performance appraisal; the Company also has incentives and penalties management measures, proposal improvement mechanisms, and workplace harassment and abuse prevention measures, appeals and disciplinary measures. The Company would provide award merits timely, and implement vigilance measures against the law, and comply with the set code of conduct and reward and punishment standards. In addition, the Company 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.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impacts on the environment? (2) Has the company established a proper environmental management system based on the characteristics of the industry? (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?	V V V		(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 2018 and 2017 to save 910kWh and 1220kWh respectively, i.e. reducing 482 and 855 tons of carbon emission. Besides the strategies 646, it also promotes paperless receipts to reduce paper waste and installed solar modules on the roof of the operating headquarters to respond to the government's green energy policies, thereby reduces the impacts of company operation on natural environment. Please refer to the Company's 2018 CSR report for more details. (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). The Company has	None

			been promoting carbon management related operations for some time, and have thoroughly understood the company’s actual production of “carbon” and “greenhouse gas” for the implementation of improvement measures to achieve the goal of reducing CO2 emissions, in order to demonstrate the company’s dedication in environmental protection. (3)1. The company’s coping strategies for climatic change: A. Prevention and control of air and water pollution B. Waste reduction and recovery C. Reduction of greenhouse gases D. Save water and chemicals E. Increase the use of energy saving products F. Build carbon footprint G. Avoid using harmful and toxic substance The aforementioned strategies have been included in the company's risk management protocols 2. The company’s greenhouse gas inventory: a direct emission of 7,261 tons of CO2-e and an indirect emission of 124,163 tons of CO2-e in 2018, totaling 131424 tons of CO2-e; a direct emission of 5,895 tons of CO2-e and an indirect emission of 110,222 tons of CO2-e in 2017, totaling 116,117 tons of CO2-e. All of the above data have been verified by a third-party verification company, TUV Rheinland, to the factory for verification of the ISO 50001 energy management system and verification of data. 3. The company expects to continue to promote several energy management action plans in 2019 with NT$ 9.36 million, which can save 3.3 million kilowatt-hours and NT$ 9.24 million in annual electricity costs, and reduce direct carbon emissions of 1,832 tons of CO2-e. 4. The company is devoted to reducing traditional pollutants to respond to the government’s CO2 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. The ISO 50001 Verification Date was January 15th, 2018, the certificate is valid until January 14th, 2021 5. Based on the objectives of corporate social responsibility and sustainable management, all employees must jointly promote the international standard ISO 50001:2011 Energy Management System. Our commitment to energy policy are as follows: A.Comply with energy-related regulations and	

			prioritize energy-saving products. B.Improve energy efficiency and continue to improve energy performance. C.Review energy targets and ensure the availability of information and resources. D.Implement energy management system, and participate fully in energy conservation and carbon reduction. E.Create corporate energy value and build sustainable corporate culture. 6. In 2018, HIWIN Technologies Corp. passed revised certification of ISO14001:2015. In accordance with the Company's policy on environmental safety and health, the company will endeavor to integrate environmental protection concepts in the decision-making processes of research and development, product manufacturing and service, use and disposal of raw materials, and continue to strive for improvements to fulfill the Company's corporate responsibilities in environmental protection, reduce of disposals, saving energy and maintaining a safe and clean environment for workers. In order to do so, the Company has committed to all employees, customers, partners and the public for achieving the following goals: A. Provide employees with education to raise awareness of environmental and safety protection, promote participation in activities, and continue to communicate and consult with employees, manufacturers, and customers on environmental and safety issues. B. Comply with government environmental sanitation regulations and other requirements. C. Promote pollution prevention and take the initiative to continue to strive for improvements. D. Safe and legal waste disposal, and continuous industrial waste reduction. E. Voluntarily maintain and control, or reduce emission of greenhouse gases; protect natural resources; saving energy. The ISO 14001 Verification Date was February 20th, 2019, the certificate is valid until January 28th, 2021	
3.Safeguarding public welfare (1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as International Covenants on Human Rights? (2) Has the company set up a complaint channel and mechanism and handle complaints properly? (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? (4) Has the Company established	V V V V		(1) In order to protect the rights and interests of employees, the Company refers to the International Covenants on Human Rights to formulates policies for the protection of human rights as follows: 1. Gender equality and maternal health protection: No differential salary, benefits protection and promotion opportunities will be given due to gender, while respecting gender equality, setting key points for prevention and treatment of sexual harassment; the Company also abides to labor standards and gender laws to regulate female labor equality, maternity leave, paternity leave, parental leave, etc.; employee may also adjust working hours and locations during pregnancy. 2. Ban on child labor: The Company do not employ child workers under the age of 16, and follows the Labor	None

mechanisms for regular communications with employees and keeping employees informed in a reasonable manner changes in Company operations that might have significant impacts on employees? (5) Has the Company established an effective career capability development training program for employees? (6) Has the Company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations and service flows? (7) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms? (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? (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?	V V V V V		Ordinance to treat workers under the age of 18; "Work Regulations" are also set. 3. Equality in disability: Same paths of career development and salary benefits as that of general staff members. 4. International shift protection: Legal salary and leave management. 5. Reasonable working hours: Follows the relevant regulations of the Labor Law to establish Company's working hours policy and legal wage payment. 6. Set regulations such as "Work Regulations", "Harassment Preventive Measures", "Attendance and Leave Management Measures", "Babysitting Subsidies for Staff Members", "Employee Group Insurance Regulations", "Special Vacation Management Measures". (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. (3) The Company has passed ISO45001/OHSAS 18001/TOSHMS Occupational Safety and Health verification, and it invites professional institutes to conduct external audits every year to 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. The ISO 45001 verification date is 2019.3.7 and the certificate is valid until 2022.3.6. To implement environmental safety and health policy, the Company has established systematic management (ISO45001, OHSAS18001 and TOSHMS); through the management spirit of PDCA Cycle, it adds the environmental safety and health concepts to R&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 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.	

			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 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 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 and walking to fitness to satisfy employees' health needs. Moreover, it also conducts health examination according their ages and special work health examination to effectively evaluate and track employees' health condition. 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. 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. 7. The implementation status in 2018 is as follows: A. There were 17 cases of disability injuries at all sites of HIWIN Technologies Corp., with no major occupational catastrophes. In addition to strengthening personnel education and audit training, synchronized production of lifting slings and high-risk machines should also be inventoried. Lifting sling sets are still under modification; high-risk machines have completed 49 improvements. *Between 2016 and 2018, there has been no occupational disaster incident at the contractor. B. General Manager Tsai Huey-Ching led	

			the senior management to promote the safety and culture work area security joint activities. The heads of various departments led the colleagues to participate in the regional joint defense. In 2018, a total of 1,363 risks were discovered and improved. In 2019, the improvement activities will continue to be promoted. C. The Company hired occupational health nurses and special occupational therapists to provide regular health care services, such as medical treatment, health consultation, case management, emergency injury and medical care, and abnormal medical examinations. In 2018, a total of 2,626 people participated in such services. D. The Company provides employees with a comfortable, secretive and safe space for breast-feeding, as well as timely care and support, and related education information, in order to enhance the willingness to continue breast-feeding. E. The Company provide timely health inspections to identify potential virulence factors for employees; and promotes relevant chronic disease prevention and cancer screening activities. Analysis and follow-up management was also conducted based on the results of health checks of our employees. In 2018, an analysis was carried out to inspect the reduction of hypertensive workers. Through pre- and post-test questionnaire surveys, data tracking and monitoring, the Company learned about individual health problems and provided employees with individual health guidance. After the majority of employees were instructed, 74.1% of the hypertensive employees showed improvements in their hypertension conditions (4) Besides convening regular labor-management conference s 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. (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. (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. (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. (8) At present, the Company usually asks the suppliers to fill 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) 1. In addition to providing high-tech, high-quality, and cost-effective products, the company also adheres to the philosophy of "manufacturing is not an end, it is to meet the needs of human beings" and is committed to providing diversified services. Shanghai Bank not only regulates all the company's colleagues, but also encourages suppliers on the system to provide good quality and delivery time, as well as to fulfill the responsibility of protecting the environment, including the current state of labor compliance with national laws and regulations, the original materials and the conflict-prohibited areas. Minerals, banned hazardous substances (such as EU RoSH), and signed a conflict-free minerals declaration, and added a supply partner labor human rights management project in the procurement contract to avoid and reduce potential hazards and risks to the overall operation of the Bank of China Technology, to ensure the benefits The interests of the people involved, as well as the provision of a good employment environment, etc., thereby enhancing the competitiveness of both parties. In 2018, there were three suppliers who violated the Labor Law and subsequently strengthened the Supplier Code of Conduct to require suppliers to fully comply with the law. 2. When the company orders the main equipment, it is stipulated that if the manufacturer has a significant impact on environmental protection, it will reassess whether it will continue to trade with it. In the case of a transaction with a supplier, the parties must enter into a contract for sale and purchase. The contract states the terms of corporate social responsibility: Party A and Party B shall abide by the corporate social responsibility policy and shall comply with the standards of ethical, legal and public requirements for the operation of	

			the company. Considering the impact on society and the natural environment, any party may terminate or terminate the contract at any time if it involves a policy that violates corporate social responsibility. 3. The Company has a specific supplier management policy, which is based on the long-term cooperation of the suppliers and the company's sustainable operation and mutual growth through the close cooperation model. The selection of new suppliers is based on their price and quality. The delivery period is listed as an assessment project, and the environmental safety management, labor human rights and financial assessment projects are evaluated. The survey results show that 100% of the new supply partners have passed the assessment. In 2018, a total of 291 new suppliers joined the Shanghai Bank. Technology supply chain system. 4. The company always attaches great importance to the safety and hygiene of employees and a comfortable working environment. It also hopes that upstream and downstream manufacturers will work together to establish industry standards in safety, health and environmental protection. In order to protect the safety, health and facilities maintenance of contractors and colleagues, the company has set up a management system for contracting safety, health and environmental protection agreements. The number of households has reached 182. Currently, the company will continue to promote and provide assistance when necessary. Expect to work together to reduce the risk of hazard. 5. Through the supplier evaluation and corporate social responsibility questionnaire analysis, the survey items are product quality, product supply price, after-sales service, delivery punctuality rate, supplier location, flexible cooperation degree, compliance with company confidential contract, supplier inventory Policy, environmental safety management, labor human rights and financial assessment are evaluated. Only through evaluation can we become qualified suppliers of the company. In response to the supply chain environmental security management, there are 3 suppliers that do not comply with relevant occupational safety regulations, and are listed as key counseling targets. The environmental impact assessment is added in 2018. The average score is 8 points (out of 10 points), and 25 are significant. Environmental considerations/hazard identification and risk assessment have no legal management measures, and follow-up will continue to counsel suppliers	

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) 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 csr.HIWIN.tw 3. HIWIN Technologies combines core corporate strengths with social benefits, actively investing in training of the precision machinery talent field, establishing a learning society; the HIWIN Technologies volunteer group focuses on education and social services, providing educational and social beneficial services through corporate resources and employees' active participation, making an effort for corporate social responsibilities. The company's specific CSR promotion plans and execution results of 2018 are listed in brief below (Please refer to the company's CSR report for details) Social Benefits A. In 2018, a total of four social welfare groups (Yunlin Shenghui, Maria, Eden, Xixier) were engaged in the production of Mid-Autumn moon cakes, a total of 5,291 boxes to provide employment opportunities for vocational groups and vocational training B. "Listening to the sound of flowers" The large-scale installation art is the largest mechanical flower on the surface of the world. It is a "co-creation" model for physical integration of HIWIN Technologies, Da Yin Micro System, Taiwan Yan Nuofei, Da Zhen Feng Yang Umbrella, Asian University Artificial Intelligence College. ...and 12 local units combined with art, humanities and technology, composed of 697 fire red mechanical flowers; this work can simulate the dynamics of plants through mechanical devices, multi-point control, environmental control system, performance thinking, and nine-channel sound. . "Mechanical Flower" opens up the possibility of creating art, technology and industry together. It also represents a successful case of cross-industry and cross-generation. Many companies have jointly created a masterpiece of exquisite craftsmanship. HIWIN Technologies produces precision machinery strength C. HIWIN Technologies sponsors NTD 2 million each year for the	None

			Foundation of the Public Welfare Platform Cultural Foundation. The general manager Tsai Huey-Chin serves as a director of the Public Welfare Platform Foundation, giving timely assistance and advice. D. HIWIN Technologies sponsors NTD1 million per year to support the Huiming Blind School Education Support Program, to support each child's life with love, to help Huiming implement the balanced learning and development of students, and to prevent campus and professional growth. Teachers, community schools, the concept of running a school, enrich the learning energy, provide a sustainable business environment of humanities, nature, aesthetics, creativity Industry-University Cooperation HIWIN Technology spares no effort in the development of "talent education". In addition to its own "HIWIN Science and Technology Machinery Master's Thesis Award", "Shanghui Smart Robotic Hands Competition", "HIWIN Science and Technology Education Foundation JIMTOF Trainee" and leading In addition to educational activities such as "Automation Engineer and Robot Engineer Certification", the company actively participates in government-sponsored multi-industry cooperation programs, such as industry-university cooperation projects, industrial college programs, industrial technicians, and production and education programs. . In order to encourage more young students to participate in the field of precision machinery as early as possible, in 2017, in response to the government's "five specialized industry core skills development plan", it is expected that the vocational education can be rooted. Since 2012, HIWIN Technology has cooperated with the school in 20 industry-university programs, with an average of 150 interns per year. There are currently 360 internship students in the factory. The proportion of internship contracts continuing to remain in service every year is 60~ 70%, students who continue to study in the university also get the opportunity to work for the Bank after they have obtained the degree. It is mainly for the students to appreciate the salary and welfare system. What is more important is that students feel the intention and sincerity of HIWIN Technology during their internship. Community Care In June 2012, the HIWIN Science and Technology Education Foundation established the HIWIN Science and Technology Volunteer Group, which	

			mainly focused on education and social services. The aim is to provide caring and supportive services to the company's employees through company support and employee participation, and to participate in education and social welfare services, and to fulfill corporate social responsibility. In 2018, there were 1,008 participants and the number of service hours was 3,024 hours. Kind Donations A. The HIWIN Science and Technology Education Foundation supports the work opportunities of the disadvantaged groups and actually increases the income of the social welfare group. The total income of the 10th Energy Center is NTD 77 thousand B. Hualien Earthquake Assistance: On February 6th, 2018, Hualien Earthquake occurred in the middle of the night, Hualien City earthquake level 7 and caused serious disasters, the company donated NTD 5 million yuan for the first time, expressing the care and support of HIWIN Technology, and appealing to the business community and society The public will lend a helping hand together to help the disaster relief and enable the victims to rebuild their homes as soon as possible.	

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 that helps comprehending the status of CSR operations:
   1. The company has spent tens of thousands sponsoring the "HIWIN Machinery Master's Thesis Award" every year since 2004, it has been held for fifteen years until the date of the annual report’s publication, mainly to encourage young students to invest in R&D and innovation in the field of mechanical engineering, to cultivate more outstanding talents for the country and enterprises, and to promote and enhance the research interests and standards of domestic young students in the machinery industry, and to absorb more talents into the machinery industry
   2. The "HIWIN Smart Robotics" competition has been held since 2008, it has been held for 11 years until the date of the annual report’s publication, laying the foundation for the future talents and technologies of the robot industry
   3. HIWIN has been responsible for the talents of Taiwan's machinery industry. Since 2009, it has assisted the Taiwan Automation Intelligence and Robotics Association (TAIROA) to promote the "Automation Engineer" license exam, mobilizing 500 teachers from national mechanical-related universities and corporate elites to participate in propositions and questions. 20 exams have been completed until the date of the annual report’s publication. In response to the development trend of major countries in the world, robots have developed the necessary foundation for smart manufacturing. Since 2016, we have assisted TAIROA to promote the "Robotics Engineer" license exam. The 6th exam has completed development
   4. In 2009, the "HIWIN Technologies Education Foundation" was established with promoting the promotion of our country’s industrial standards as principal through various education and award-winning activities
   5. Since 2010, the “College Student JIMTOF Study Group" has been organized by the HIWIN Technologies Education Foundation to encourage mechanical students to focus on the study of precision machinery and expand their international vision, thereby enhancing the innovation of Taiwan's machinery industry technology. This activity is engaging in the primary selection and re-election of domestic mechanical, with the target being college students in domestic mechanical-related departments, up to 32 students from grades 2~3 in the mechanical engineering, automation and electrical related departments of domestic universities and colleges are selected to attend the biennial Japan International Machine Tool Fair (JIMTOF), and arrange to visit Japan's index factory
   6. Since 2011, the Chinese Mechanical Engineering Society has been entrusted to hold the "HIWIN Award for Excellence in Mechanical Doctoral Thesis". The purpose is to raise the standard of Chinese precision machinery and manufacturing technology across the Taiwan Straits, strengthen the cultivation work of high-level creative talents, and improve cross-strait mechanical engineering and the quality of doctoral education in the field of intelligent automation, stimulating and encouraging young students to invest in R&D and creative applications in this field. It has been held for 8 years until the date of the annual

report's publication, and will continue to be held in the future

7. The company has been committed to industry-university cooperation and school education for many years, to fulfill corporate social responsibility, the company and Chairman Chuo donated a new library to Hsinchu Liu-Jia Elementary School, it is expected to have online library functions, a reading room, and a grand lecture hall, etc., so that teachers and students can easily use the library, cultivating children's reading habits, international perspective and basic ability to cope with globalization. The Chuo Yong-Tong Memorial Library opened in November, 2017. It covers an area of 1,865 square meters (about 564 pings) and is a five-story building. The 1-2 floor is mainly composed of children's books and has a story theater area, a large tree reading area and a multimedia interactive learning area; the third floor is an adult reading room with foreign newspapers and magazines for citizens to connect with the world; the 4th floor stepped grand lecture hall can accommodate 200 people at the same time, the 5th floor is the meeting room and research room, the roof is a learning field planned as an environmental energy zone including wind power and solar energy, the total floor area is 2,735 square meters (about 827 ping), the construction lasted for 5 years and the total cost is about NTD 160 million. The construction of the Chuo Yong-Tong Memorial Library is mainly to enable alma mater students to have better reading habits, international outlook and basic ability to cope with globalization. At the same time, it will be open to communal use, so that community residents can have a better communicating learning space
8. HIWIN Technologies has sponsored a four-year plan with a funding of NTD 1 million per year since 2015. It supports National Tsing-Hua University's "Sunrise Project" (economically disadvantaged enrollment), providing scholarships for NTD 400 thousand for four years, so that these students can work hard without any worries, using education to reverse the fate of generations. The Sunrise enrollment plan considers the applicant's growth process and learning motivation, and prioritizes economically disadvantaged students who are positive in adversity. After enrolling, the students are diverted to the departments who provide the quotas. The number of students in the Sunrise Project is 40 every year. the Sunrise Project (not the Sunrise group) will be expanded starting in the 2018 school year, and more than 30 economically disadvantaged freshmen will be enrolled. The proportion of economically disadvantaged freshmen is about 3.5%
9. The massive earthquake in Hualien in February, 2018, the company donated NTD 5 million to Hualien County Social Assistance Fund, to express its concern and support to the disaster area
10. The implementation results in 2018 are as follows: The amount of CSR investment is NTD 109,879 thousand, including four major items: NTD 37,990 thousand for talent cultivation, NTD 20,908 thousand for industry-university cooperation, NTD 26,008 thousand for community care and NTD 824,903 thousand for public welfare sponsorship; the number of health lecture participants was 2,483; the number of health care attendees was 4,780; the number of training development hours was 140,000 hours; the new supplier passed the human rights and labor survey by 100%; the cooperation between industry and education continues, a total of 470 students interned at HIWIN Technologies from 2015 to 2017; the number of HIWIN graduates that went to higher vocational colleges or universities of technology to share industry trends and product technology applications was 97; HIWIN volunteer service totaled 3,024 hours
11. The TCSA held by TAISE, HIWIN received the TCSA's "Top 50 Comprehensive Performances Award", "Individual Performance- Innovative Growth Award", "Individual Performance- Gender Equality Award", "Individual Performance- Talent Development Award", and the Gold Medal for the "Reporting Category - Electronic Information Manufacturing Group"
12. Promote green energy construction: Solar energy is the most abundant energy source for renewable use, and the greenhouse gas effect will not be intensified from producing greenhouse gases. In 2016, HIWIN Technologies set up 50KW solar power generation at the operation headquarters and put it into power generation in parallel with the power company line, the investment for the construction was NTD 3.95 million. Therefore, a solar power generation system was planned for construction in 2017, and the completion of 486KW power generation was started construction in phases in 2018, and a solar power generation system is planned for 2019, and installation was started in phases, a goal of a total of 2,844 KW of generating capacity is expected for installation in 2021. The target is expected to set a total of 1,600 KW of generating capacity by 2021. Target management performance and outlook planning are as follows:

Environmental Management Target	Management Performance	Outlook and Plan	Completion
Green Energy Construction	Renewable Energy, Solar Power Generator Installation	Short-Term Goal: At the end of 2018, the 486KW solar power generation contract was signed, and construction was carried out. It is estimated that in June 2019, the power company will be connected to the power company line in parallel with green power generation. The investment for the construction is NTD 32.55 million.	Continuing Process
		Midterm Goal: It is estimated that in the second quarter and the third quarter of 2019, solar power generation with an estimated value of 811 KW will be completed, and contract signing will be completed in the third and fourth quarters respectively	Continuing Process
		Long-Term Goal: Continue planning and installing solar power generation, preliminary survey assessment states up to 1,497KW can be installed, combined with 50KW set up, totaling 2,844KW of solar energy for solar power generation	Planning

13. The CSR Committee will report the major issues discussed in the economic, social and environmental aspects, the issues discussed with the people concerned, and the implementation content and frequency of the company to the Board of Directors at least once a year. The communication and corresponding measures of the various categories and stakeholders in 2018 are as follows:

Stakeholder	Major Themes	Communicating Platform/ Method	Solutions

01	Employee	Labor relationship Occupational safety Smart machinery	• Labor representatives attend the meeting • Stakeholder area • Complaint Mailbox (Chairman, General Manager, Human Resources Department Special Mailbox) • Corporate Social Responsibility Report	• Sound salary and benefits, retirement system, labor insurance, health insurance and extra group insurance, etc. • Diversified employee communication channels to take care of the various mechanisms of employee physical and mental health • Regularly handle various education and training, reading sessions, lectures and degree training. In 2018, a total of 165,893 hours • 20 labor and management meeting held in 2018
02	Shareholder	Occupational safety Social economic regulations Smart machinery Talent cultivation	• Annual shareholder meeting • Participate in public policy and other related meetings • Official correspondence • Juristic person briefing • Stakeholder area, media news	• Hold a board meeting at least once a quarter, 8 times in 2018 to review business performance and discuss important strategic issues • To develop an operational plan by reviewing the possible major risks of the Board of Directors, and to maintain continuous improvement through internal operational processes. • The relevant important resolutions of the company were immediately announced to the public information observatory of the Taiwan Stock Exchange. • In 2018, a total of 43 major messages in both Chinese and English were published. • Privacy and business secret internal control • 2 juristic person briefings and 1 shareholder meeting in 2018
03	Client	Environmental regulations Customer health and safety Marketing mark Customer privacy Smart machinery	• Annual customer satisfaction survey • Web page update / 3D website creation • Customer relationship management software • Product promotion / exhibition • Stakeholder area • Mobile Apps	• Provide quality pre-sales and after-sales service through customer surveys and frequent visits and exchanges • Through web page updates, linking affiliate websites and 3D website creation, allowing customers to quickly understand product and service information • Maintain customer visit information and after-sales service information through software management; potential business opportunities from exhibitions and official website business messages can also be managed and tracked by software • Participated in more than 200 exhibitions from around the world in 2018 (covering more than 40 countries), promoting new products during the exhibition, and providing guided tours • Arrange for subsidiary/dealer education training
04	Contractor	Environmental regulations Labour Relations Occupational safety Marketing mark Customer privacy Social economic regulations	• Regularly organize contractor agreement organization meetings • Establish management measures for contractors' safety, health and environmental protection agreements • Field audit	• Conduct safety and health management and implement control for contractors, in the hope of managing at the source to prevent occupational disasters • Regular annual meeting organization meeting • Conducting the annual rating of the contractor • Conducting internal employee supervision training, totaling 833.5 hours in 2018

05	Academic Field	Economic performance Environmental regulations Emission Labour Relations Occupational safety Customer health and safety Customer privacy Social economic regulations Smart machinery Talent cultivation	• Stakeholder area • Financial annual report, occasional release of operational news • HIWIN Technologies Education Foundation holds volunteer activities • Corporate Social Responsibility Report • Arrange visiting activities • HIWIN-CMU Joint Research and Development Center • HIWIN- NTHU Joint Research and Development Center	• Annually hold HIWIN master's, doctor's thesis in mechanics award, and HIWIN smart robotic hand-craft competition • Automated Engineer's License Examination and Robotic Engineer's License Examination, 4,745 in 2018 • HIWIN Forum - Distinguished President Lecture • Building a National Library, Children's Books and English Courses • Comply with government environmental safety and health regulations and other requirements • HIWIN mentors gave lectures at schools for 142.5 hours in 2018 • Corporate Social Responsibility Report issuance • AA total 1,181 people from schools at all levels visited HIWIN in 2018
06	Media	Customer privacy Smart machinery Talent cultivation	• Respond immediately through a press release • Stakeholder area • Social Participation Activities organized by the HIWIN Technologies Education Foundation • Corporate Social Responsibility Report • Press conference	• Company website is updated irregularly • Announce the company's business information, the news was reported for a total of 1,299 in 2018 • Corporate Social Responsibility Report issuance
07	Government Agency	Environmental regulations Emission Water Energy Occupational safety Waste water and waste	• Policy promotion and investment • Participate in related seminars • Promote the verification of the environmental safety system • Corporate Social Responsibility Report	• Work together with government agencies • Apply for and invest in government programs • Comply with government environmental safety and health regulations and other requirements • Strengthen pollution prevention work and proactively improve
08	Local Community	Environmental regulations Waste water and waste Emission Training and education	• Stakeholder area • Financial annual report, occasional release of operational news • HIWIN Technologies Education Foundation • Corporate Social Responsibility Report	• Company website regularly and irregularly announces information • 1,008 people participated in the volunteer Group in 2018, and the number of service hours was 3,024 hours. • Building a National Children's Book and English Course • Corporate Social Responsibility Report issuance
09	Supplier	Supplier Environmental Assessment Supplier social assessment Purchasing practice	• Supplier Survey / Evaluation • Supplier Business Review Meeting • Procurement safety management • Top 100 supplier inspections • Stakeholder area	• In the procurement of materials, mainly local suppliers in Taiwan, in addition to the flexibility of supply and quick response, and provide local work and employment opportunities. • Supplier risk assessment • Safety and hygiene procurement specifications • In 2018, the supplier signed a total of 291 integrity commitments
10	Public Association	Economic performance Industry-university cooperation Sustainable innovation	• The competent authorities hold symposiums and seminars • Participate in related activities • Corporate Social Responsibility Report • Stakeholder area	• Compliance with government regulations and related requirements • Regular and occasional participation in seminars, seminars • Corporate Social Responsibility Report issuance • Company website regularly and irregularly announces information

14. The impact of global climate change and warming has led to an increase in the frequency and intensity of extreme weather at home and abroad, which has had a great impact on life, property and business operations. HIWIN Technologies can assess the impact of climate change on operations and plan relevant countermeasures to ensure the resilience of climate change. In 2015, HIWIN Technologies joined the "Earth Hour an Hour" campaign to make this spirit a habit in HIWIN's life and continue. In June 2018, General Manager Tsai Huey-Ching served as the convener of the adjustment management. Assistant General Manager Wu Jun-Liang served as the risk management representative and set up the adjustment management team to investigate the external environment of the plant and the past disaster situation, and then conduct risk assessment to identify the impact on the organization. Potential risk and opportunity projects (assets, processes, personnel, supply chain and finance), assuming risk types (including high temperature, storm flooding, drought, strong winds, lightning strikes) and impact analysis, sorting, and then developing action plans Painting; the 2018 Opportunity Project is a major issue for water recycling and renewable energy use.

Risk Level	Number of Impacted Items	Impacted Aspect	Climate Factor	Solution
Very High	1	Process	High Temperature	1. Additional air conditioning equipment in the electrical room 2. Rented generator
High	6	Process	Flood after Rain	1. Build a waterproof gate 2. Emergency response waterproof measures 3. Important equipment is set on high floors
			Drought	1. Tap water storage equipment 2. Signing a contract with the waterwheel industry
			High Temperature	Add air conditioning and large exhaust fan
	5	Asset	Flood after Rain	1. Set the waterproof gate 2. Pumping machine spare measures
			High Temperature	Add air conditioning and large exhaust fan
			Lightning Strike	Regular lightning rod maintenance

According to the results of the climate risk matrix, it is known that there are 12 climate risk risks facing the HIWIN in the future, which are high and extremely high risk, including important equipment such as electrical equipment, air pressure and tap water, and the probability of future occurrence with natural disasters, climate shock risk. The degree has also increased. In order to implement the action plan and strengthen the emergency response, HIWIN Technologies can reduce the degree of financial impact, maintain normal operation and reduce losses when climate risks occur, and build relevant equipment based on priority assessment results, such as electrical Air conditioning equipment and pumping equipment will be installed in the room to reduce future climate shocks.

7. A clear statement shall be made below if the company's corporate social responsibility reports were verified by relevant certification bodies:

(1) The company is scheduled to publish the Corporate Social Responsibility Report in June each year. The 2018 Corporate Social Responsibility Report has been verified and completed in April, 2019. The method of cross-check is used to confirm the contents of the report. It was verified in May, 2019 by the British Standards Institute Taiwan Branch (BSI), and it meets the GRI Standards and AA1000 AS (2008) Standard TYPE I medium assurance level verification standards.

(2) The Company regularly publishes the specific promotion plans and implementation results of social corporate responsibility on the Company's website in June each year, and is included in the annual report.

(VI) Implementation of Ethical Corporate Management:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and scheme (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? (2) Has the company made rules against dishonesty with clear statements regarding operational procedures, behavior guidelines and appeal system, and implemented them? (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?	V V V		(1)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". (2)The company has established "Employee Code of Conduct" and "Business Operation Procedures and Behavior Honesty Guidelines", 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 independent directors, 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. The behavior guideline states clearly the procedures and methods for reporting procedures, and establishes an independent report box for internal and external use, and a specific unit responsible for handling the reporting procedures, as well as how the records should be kept, and whether or not discretionary bonuses are reported. The information has been disclosed on the company's website. (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.	None

2. Implementation of ethical corporate management (1)Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (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? (3)Has the company established policies to prevent conflicts of interest and provided appropriate communication channels, and implemented them? (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? (5)Does the company regularly hold internal and external educational trainings on ethical corporate management?	V V V V V		(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 and Integrity Deal Commitment. (2)The company promotes the integrity and management of corporate integrity management by the Human Resources Department, and the general manager acts as the convener, ensuring the integrity management based on the work and scope of each unit, and fully promoting the integrity of the company. All colleagues, managers and directors should abide by the "Code of Integrity Management". Relevant members also have the obligation to report to the Board of Directors. They report to the Board of Directors at least once a year and report to the Board of Directors on the implementation of the 2018 Integrity Management Performance Report at 2019.3.26. If a colleague discovers that there is any dishonest fact, it can also be reported through the company's public channel. If the circumstances are serious, it will be reported to the board of directors from time to time. The board of directors supervises whether it is implemented according to the code. The implementation in 2018 is as follows: 1.Education and training: Open training courses such as regulations, check-ups, risk management, and prevention of fraud. In addition, we will arrange external training courses for corporate integrity forums and corporate fraud risks for supervisors and colleagues. 2.Compliance Declaration: In 2018, it mainly advocated the implementation of the company's business philosophy of "professional standards, enthusiasm for work, and ethics of practice." 3.Communication channels: Employees can report violations of integrity management to the Human Resources Department, various academic levels, and independent directors through various corridors, and the Human Resources Department is responsible for coordinating them. 4.Regular inspection: Each year, the self-assessment of the risk of corruption is implemented to achieve effective management and implementation, and the audit unit independently audits. There is no major corruption in 2018. 5.Reporting system: The company's website has stated that internal or external personnel can report dishonest behavior. In addition to protecting the identity of the sender, the audit unit will also conduct a special investigation. In 2018, 13 cases were accepted, all of which have been processed and successfully resolved. (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 will handle	None

this personally through the feedback box.

(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.

(5)The company advocates ethical corporate management ideas through morning meetings every month, providing new employees and supervisors with basic and promotion trainings. Besides, it arranges external training courses, such as enterprise credit forums and business fraud discussion, for supervisors and colleague. The related courses for honest corporate management in 2018 are summarized as follows:

TYPE	Number of Classes Held	Total Hours	People Times
Related Courses for Honest Corporate Management	340	2,256.5	6,734

3. Operation of the Company's offense reporting system (1)Has the company established a specific offense reporting and reward systems, set up convenient offense reporting channels, and appointed an appropriate person for the one who has been reported? (2)Has the company established standard operating procedures as well as a relative protection mechanism for whistleblowers? (3)Does the company take measures to protect whistleblowers from being inappropriately treated?	V V V		(1)The "Employee Code of Conduct" of the Company has stated the offense 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. If Directors or the CEO receives such letters, they would instruct the Audit Office or Human Resources Department to handle the case. Separate mailboxes are also set up for internal and external personnel to send letters directly to independent directors. In addition, the Company has set up an independent report box or special line for internal and external use. It also specifies the information that the prosecutor needs to provide, the acceptance level of the different prosecutors, and the processing flow of the special duty unit in the integrity management operating procedures and behavior guidelines. Report bonuses and expose relevant information on the company's website. (2)The company has stated the investigation methods for offense 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. (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.	None
4. Strengthening information disclosure (1) Has the company disclosed its ethical corporate management policies and the implementation results on the company website and Market Observation Post System?	V		(1) 1. The company discloses its ethical corporate management ideas, corporate mission and brand meaning on both the 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.	None
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: The Company has established the Company's "Code of Integrity Practice" and "Guidelines for the Operational Procedures and Conduct of Honest Business Operation" based on the "Code of Conduct for Listed Owned Firms". It is based on the examples issued by the Stock Exchange and it also requires the Company to operate. Relevant entities should implement the implementation and internalize the requirements of the above codes and behavior guidelines into daily operations management. Therefore, there is no significant difference between the actual operation and the codes and guidelines.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management: The Company 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 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.

(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 Institution:

HIWIN TECHNOLOGIES CORP.
Statement on Internal Control Institution

HIWIN TECHNOLOGIES CORP.
Statement on Internal Control Institution

Date: March 26th, 2019

The company hereby makes the following statement about its internal control system for the year 2018 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 criteria above 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 31st, 2018, 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 26th, 2019 by the Board, with none of the 9 directors present opposing it.

HIWIN Technologies Corp
Chairman: Chuo, Yung-Tsai Signature
General Manager: Tsai, Huey-Chin 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:

In 2018, the company completely complied with the company law, the securities trading law and other regulations. However, because the competent authority determined that the company's colleagues worked overtime, the attendance situation was inconsistent with the labor benchmark law, a fine of NT$25,760 was imposed. The company has adopted an extension of the working hours to apply for approval system and evaluate the manpower allocation

(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
Shareholders' Meeting	June 27th, 2018	Approved Business Report and Financial Statement 2017
		Approved Earnings Distribution Statement 2017
		Approved the issuance of new shares for capital increase out of earnings
Board Meeting	March 22nd, 2018	Passed Earnings Distribution Statement 2017 for employees and directors
		Passed "Internal Control System Statement" 2017
		Passed Business Report 2017
		Approved Annual Financial Statement 2017
		Passed Earnings Distribution Statement 2017
		Approved the issuance of new shares for capital increase out of earnings
		Approved convening the regular shareholder meeting of 2018
		Passed assessment of the independence and adequacy of CPAs and appointment remuneration
		Passed constructions of YunTech Factory at Shiliuban Area
		Passed endorsement for HIWIN Korea
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	May 9th, 2018	Approved First-Quarter Financial Statement 2018
		Approved the issuance of new shares for capital increase out of earnings in Taiwan

		Passed endorsement for Eterbright Solar Corporation
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	June 27th, 2018	Approved the lifting of the company’s managers’ non-competitive restriction
		Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	July 4th, 2018	Passed loans for overdue account transfer funds to subsidiaries
Board Meeting	July 16th, 2018	Approved the case of setting the price of cash increase
		Approved the establishment of the company's 2018 annual cash increase manager's stock subscription
Board Meeting	August 9th, 2018	Approved the consolidated financial statements for the first half of 2018 (Note)
		Approved the endorsement of the Korean subsidiary (Note)
		Approved endorsement guarantee for Singapore subsidiary (Note)
		Approved the guarantee of the subsidiary's Eterbright Solar endorsement (Note)
		Approved subsidiary overdue account transfer loan case (Note)
Board Meeting	October 20th, 2018	Approved the consolidated financial statements for the third quarter of 2018
		Approved subsidiary Eterbright Solar Cash Capital Increase and Endorsement Guarantee Case (Note)
		Approved the purchase of land by a Japanese subsidiary (Note)
		Approved subsidiary overdue account transfer loan case (Note)
Board Meeting	December 11th, 2018	Approved the assessment of the independence and eligibility of the visa accountant and the accreditation case (Note)
		Approved the subsidiary company Luren Precision Endorsement Guarantee Case (Note)
		Approved the endorsement of the Japanese subsidiary (Note)
		Approved subsidiary overdue account transfer loan case (Note)
Board Meeting	March 26th, 2019	Approved 2018 employee compensation and directors' compensation
		Approved the 2018 "Internal Control System Statement" (Note)
		Approval of the 2018 Business Report (Note)
		Approved 2018 financial statements (Note)

		Approved 2018 Annual Distribution (Note)
		Approved the process of transferring surplus to capital increase and issuing new shares (Note)
		Approved amendment of the "Articles of Association" case
		Approved the amendment to the "Acquisition or Disposition of Asset Processing Procedures" (Note)
		Approved the revision of the "Funding Loan and Others Operating Procedures" case (Note)
		Approved amendment of the "endorsement guarantee operation procedure" case (Note)
		Approved amendment of the "Rules of Procedures for Shareholders Meeting"
		Approved director election
		Nomination and Qualification Examination for Approved Directors and Independent Directors
		Approved the 2019 regular shareholders' meeting
		Approved the assessment and appointment of the independence and eligibility of the CPA (Note)
		Restriction of the company's manager's non-competition prohibition (Note)
		Approval of the Italian subsidiary's purchase of the factory (Note)
		Approved the subsidiary company Luren Precision Endorsement Guarantee Case (Note)
		Approved the endorsement of the Korean subsidiary (Note)
		Approved subsidiary overdue account transfer loan case (Note)
Board Meeting	May 6th, 2019	Approved the preparation of the first quarter of 2019 financial statements
		Approval of the restriction on the prohibition of non-competition of directors and their representatives (Note)
		Passed endorsement for Eterbright Solar Corporation
		Approved subsidiary overdue account transfer loan case (Note)
		Approved amendment of the "Articles of Association" case
		Approved the amendment to the "Evaluation of Long-Term Foreign Exchange Trading and Operational Practices" (Note)

Note: Items listed in Article 14-5 of the Securities Exchange Law

Implementation Result of Resolutions of Shareholder Meeting 2018

1.Approved annual accounts 2017

Implementation result: passed at Shareholder Meeting 2018

2.Approved Earnings Distribution Statement 2017

Implementation result: passed at Shareholder Meeting 2018, with NT$ 0.6 per share as stock dividend and NT$ 3.2 dividend per share for stockholders, totaling NT$ 3.8; NT$ 3.5 cash dividends and NT$ 0.3 stock dividends had been distributed before Aug 9th, 2018, and capital increase out of earnings had also been handled before Sept 18th, 2018.

3.Discussed the issuance of new shares for capital increase out of earnings:

Implementation result: passed at Shareholder Meeting 2018; capital increase out of earnings had been handled before Sept 18th, 2018.

(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.

IV. 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	January 1st~ December 31st, 2018	

Unit: NTD Thousand

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

1.Paying at least one-fourth of non-audit fees to CPAs, their accounting firm, and its affiliates

Unit: NTD Thousand

Name of the Accounting Firm	Name of Accountant	Audit Fees	Non-Audit Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resource	Other	Subtotal		
Deloitte & Touche	Yan Xiaofang	5,290	-	-	-	1,400	1,400	January 1st~ December 31st, 2018	The rest mainly includes capital increase out of earnings and reimbursed expenses
	Zeng Dongyun								

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: None

(i) About the former accountant

<table>
<tr><td>Change Date</td><td colspan="4"></td></tr>
<tr><td>Reasons and Descriptions</td><td colspan="4"></td></tr>
<tr><td rowspan="3">Was the termination of audit services initiated by the Company or the CPA?</td><td colspan="2">Involved Parties
Situations</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">The Company terminated the appointment.</td><td colspan="2" rowspan="2"></td></tr>
<tr><td colspan="2">The CPA rejected being appointed.</td></tr>
<tr><td>Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years</td><td colspan="4"></td></tr>
<tr><td rowspan="5">Having different opinions from the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting Principles or Practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Reports</td></tr>
<tr><td></td><td colspan="2">Audit Range and Steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td></td><td colspan="2"></td></tr>
<tr><td></td><td>Description</td><td colspan="3"></td></tr>
<tr><td>Other Disclosures
(according to Sub-item 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)</td><td colspan="4"></td></tr>
</table>

(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	
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, managers and major shareholders

Unit: share

Title	Name	2018		2019 as of April 30th	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman & CEO	Chuo Yung-Tsai	640,151	1,335,000	-	-
Deputy Chairman	Chen Chin-Tsai	192,467	2,430,000	-	(1,150,000)
Director & General Manager	Tsai Huey-Chin	194,985	-	-	-
Director & Vice General Manager of Chairman Room	Chuo Wen-Heng	464,320	-	(16,000)	-
Director	Li Xunqin	808,816	3,550,000	(6,000,000)	(700,000)
Director	San-Hsin Investments Limited	796,838	3,000,000	15,000	(1,463,000)
	Representative: Huang Yousan	-	-	-	-
Independent Director	Chiang Zhenghe	-	-	-	-
Independent Director	Chen Qinghui	-	-	-	-
Independent Director	Tu Liming	-	-	-	-
Senior Vice General Manager of Finance Department	Lin Yifeng	25,651	-	-	-
Vice General Manager of Chairman Room	Song Xiande	12,000	-	-	-
Vice General Manager of Marketing Business Group	Peng Yanqi	15,163	-	-	-
Vice General Manager of Finance Department	Wu Yueqin	18,608	-	(6,000)	-
Vice General Manager of Finance Department	Liao Kehuang	964	-	-	-

Assistant General Manager of Chairman Room	Qu Yueling	10,170	-	-	-
Assistant General Manager of Chairman Room	Wu Junliang	(11,773)	-	-	-
Assistant General Manager of System Research Department	Wang Fuqing	(2,834)	-	-	-
Senior Assistant Manager of Chairman Room	Yang Chuangbao	4,131	-	-	-
Senior Assistant Manager of Chairman Room(Note 1)	Huang Lihong	-	-	-	-
Assistant Manager of Chairman Room	Qiu Shirong	4,289	-	-	-
Assistant Manager of Chairman Room(Note 2)	Chen Hongming	2,066	-	-	-
Assistant Manager of Production Business Group	Li Wenbin	5,569	-	-	-
Assistant Manager of Production Business Group (Note 3)	Chen Zongren	-	-	-	-
Assistant Manager of Production Business Group	Wu Wenjia	1,227	-	-	-
Assistant Manager of Production Business Group	Lin Zhixiao	6,064	-	-	-
Assistant Manager of System Research Department	Chiang Mingjun	(5,221)	-	-	-
Assistant Manager of Information Department	Zhang Kunyao	4,197	-	-	-
Assistant Manager of Information Department (Note 4)	Yu Mingde	-	-	-	-
Assistant Manager of Information Department	Zhang Yongming	-	-	-	-
Assistant Manager of Project Development Department	Dong Chengwei	3,002	-	-	-
Assistant Manager of Project Development Department (Note 5)	Zeng Jinyuan	-	-	-	-
Assistant Manager of Quality Assurance Department (Note 6)	Zhou Yixiu	-	-	-	-

Note 1：Huang Lihong assumed office on March 26th, 2019, the shares he holds were declared from this day forward

Note 2：Chen Hongming assumed office on June 1st, 2018, the shares he holds were declared from this day forward

Note 3：Chen Zongren was relieved from office on January 22nd, 2019, the shares he held were declared until this day
Note 4：Yu Mingde assumed office on May 1st, 2018, the shares he holds were declared from this day forward
Note 5：Zeng Jinyuan was relieved from office on March 31st, 2018, the shares he held were declared until this day
Note 6：Zhou Yixiu assumed office on March 22nd, 2018, the shares he holds were declared from this day forward

(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, or Couples or Relatives within the Second Degree of Kinship

April 30th, 2019
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	Title/Name	Relationship	
HIWIN Investment Corporation Representative: Chuo Yung-Tsai	21,562,741	7.17%	-	-	-	-	Chuo Yung-Tsai	Chairman	
	13,453,495	4.48%	1,120,992	0.37%	-	-	Chuo Xiumin Chuo Wenheng Chuo Xiuyu	Within the First Degree of Kinship	
Chuo Yung-Tsai	13,453,495	4.48%	1,120,992	0.37%	-	-	Chuo Xiumin Chuo Wenheng Chuo Xiuyu	Within the First Degree of Kinship	
Li Xunqin	7,394,267	2.46%	303,263	0.10%	-	-	-	-	
Chuo Wen-Heng	6,112,237	2.03%	-	-	-	-	Chuo Yung-Tsai Chuo Xiumin Chuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	

First Bank Trust-fund Account Appointed by Li Xunqin	6,000,000	2.00%	-	-	-	-	-	-	
Chuo Xiuyu	4,852,924	1.61%	8,000	0.00%	-	-	Chuo Yung-Tsai Chuo Xiumin Chuo Wenheng	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Chuo Xiumin	4,849,582	1.61%	222,856	0.07%	-	-	Chuo Yung-Tsai Chuo Wenheng Chuo Xiuyu	Within the First Degree of Kinship Within the Second Degree of Kinship Within the Second Degree of Kinship	
Nan Shan Life Insurance Co. Ltd.: Du Ying-Zong	4,467,000	1.49%	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Tsai Huey-Ching	4,372,885	1.45%	-	-	-	-	-	-	
Chen Jing-Tsai	4,180,956	1.39%	2,909,355	0.97%	-	-	-	-	

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

December 31st, 2018
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 GmbH	Note	100%	-	-	Note	100%
HIWIN Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
HIWIN Corporation, Japan	54,200	100%	-	-	54,200	100%
Eterbright Solar Corporation	171,449,427	74%	14,321,772	6%	185,771,199	80%
HIWIN Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
HIWIN Corporation	1,440,000	100%	-	-	1,440,000	100%
HIWIN S.R.L.	Note	100%	-	-	Note	100%
HIWIN China	Note	100%	-	-	Note	100%
HIWIN Healthcare Corp.	100,000	100%	-	-	100,000	100%
Luren Precision	17,647,761	58%	1,087,460	4%	18,735,221	62%
Matrix Machine Tool (Coventry) Ltd.	2,400,000	52%	-	-	2,400,000	52%
Luren Precision Chicago Co.,Ltd.	-	-	460,000	58%	460,000	58%
Luren Precision Shanghai	-	-	Note	58%	Note	58%

Note: No shares issued

IV. Capital Overview

i. Capital and Shares

(i) Source of Capital

Unit: NT$ Thousand; Thousand shares

Date	Issue Price	Authorized Stock		Paid-Up Capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of Capita	Subscriptions Paid with Property other than Cash	Other
1999.10.08	12	130,500	1,305,000	123,500	1,235,000	Cash Capital Increase	None	1999.08.05 (88)TCZL(1)No.72181
2001.10.22	10	151,900	1,519,000	135,850	1,358,500	Capital Increase out of Earnings or Capital Reserves	None	2001.08.14 (90)TCZL(1)No.151591
2002.10.15	10	151,900	1,519,000	139,925	1,399,255	Capital Increase out of Earnings	None	2002.08.14 (91)TCZL(1)No.145107
2003.10.09	10	151,900	1,519,000	145,544	1,455,442	Capital Increase out of Earnings	None	2003.08.15 (92)TCZL(1)No.137138
2004.10.05	10	191,038	1,910,380	156,918	1,569,178	Capital Increase out of Earnings	None	2004.08.06 FSC Certificate No.0930135195
2005.10.05	10	191,038	1,910,380	177,706	1,777,059	Capital Increase out of Earnings	None	2005.08.09 FSC Certificate No.0940132392
2006.08.02	10	300,000	3,000,000	201,345	2,013,448	Capital Increase out of Earnings	None	2006.08.02 FSC Certificate No.0950133960
2009.06.25	24	300,000	3,000,000	223,390	2,233,898	Cash Capital Increase	None	2009.01.08 FSC Certificate No.0970071383
2010.08.16	10	300,000	3,000,000	227,858	2,278,576	Capital Increase out of Earnings	None	2010.06.25 FSC Certificate No.0990032889

2011.08.29	10	300,000	3,000,000	234,693	2,346,933	Capital Increase out of Earnings	None	2011.07.11 FSC Certificate No.1000031785
2012.09.17	10	300,000	3,000,000	246,428	2,464,280	Capital Increase out of Earnings	None	2012.07.13 FSC Certificate No.1010031169
2013.09.18	10	300,000	3,000,000	253,821	2,538,208	Capital Increase out of Earnings	None	2013.07.18 FSC Certificate No.1020027958
2014.09.15	10	300,000	3,000,000	261,435	2,614,354	Capital Increase out of Earnings	None	2014.07.14 FSC Certificate No.1030026626
2015.09.02	10	300,000	3,000,000	269,278	2,692,785	Capital Increase out of Earnings	None	2015.09.02 FSC Certificate No.1040027343
2016.09.21	10	300,000	3,000,000	274,664	2,746,640	Capital Increase out of Earnings	None	2016.09.21 Department of Economy-Authorization No.10501226510
2017.09.01	10	300,000	3,000,000	280,157	2,801,573	Capital Increase out of Earnings	None	2017.09.01 Department of Economy-Authorization No.10601126420
2018.08.22	10	300,000	3,000,000	288,562	2,885,620	Capital Increase out of Earnings	None	2018.08.22 Department of Economy-Authorization No.10701102130
2018.10.05	250	500,000	5,000,000	300,562	3,005,620	Cash Capital Increase	None	2018.10.05 Department of Economy-Authorization No.10701122430

Information for Shelf Registration System: none.

(ii) Shareholding Structure

April 30th, 2019

Shareholding Structure / Quantity	Governmental Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Outsiders	Total
Number of People	5	17	446	45,297	615	46,380
Number of Shares held	3,597,134	9,268,549	49,017,834	141,335,027	97,343,482	300,562,026
Shareholding Ratio	1.20%	3.08%	16.31%	47.02%	32.39%	100.00%

(iii) EquityDispersion

April 30th, 2019

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio
1~999	23,739	1,729,603	0.58%
1,000~5,000	19,207	32,824,221	10.92%
5,001~10,000	1,718	12,192,428	4.06%
10,001~15,000	559	6,781,026	2.26%
15,001~20,000	227	4,017,338	1.34%
20,001~30,000	260	6,346,329	2.11%
30,001~50,000	227	8,762,867	2.91%
50,001~100,000	164	11,591,939	3.86%
100,001~200,000	118	16,944,263	5.64%
200,001~400,000	64	18,394,935	6.12%
400,001~600,000	35	16,604,124	5.52%
600,001~800,000	11	7,473,589	2.49%
800,001~1,000,000	5	4,387,305	1.46%
1,000,001 and above	46	152,512,059	50.73%
Total	46,380	300,562,026	100.00%

(iv) List of Major Shareholders

April 30th, 2019

Name of Major Shareholders / Share	Number of Shares held	Shareholding Ratio
HIWIN Investment Corporation	21,562,741	7.17%
Chuo Yung-Tsai	13,453,495	4.48%
Li Xun-Qin	7,394,267	2.46%
Chuo Wen-Heng	6,112,237	2.03%
First Bank Trust-fund Account Appointed by Li Xunqin	6,000,000	2.00%
Chuo Xiu-Yu	4,852,924	1.61%
Chuo Xiu-Ming	4,849,582	1.61%
Nan Shan Life Insurance Co. Ltd.	4,467,000	1.49%
Tsai Huey-Chin	4,372,885	1.45%
Chen Jing-Tsai	4,180,956	1.39%

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

Item / Year			2017	2018	2019 until March 31st
Market Price per share	Highest		344.00	530.00	289.00
	Lowest		146.50	181.00	201.00
	Average		235.40	326.00	251.26
Net Value per share	Pre-Distribution		58.16	80.45	83.74(Note 2)
	Post-Distribution		50.95	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Number of Shares (1000 Shares)		288,562	292,441	300,562(Note 2)
	Earnings per Share (after tax)		9.77	18.44	2.06(Note 2)
	Earnings per Share (after tax) after retroactive adjustment		9.49	(Note 1)	(Note 1)
Dividend per Share	Cash Dividends		3.5	7.0(Note 1)	-
	Stock Dividends	Dividends from Earnings	0.3	0.3(Note 1)	-
		Dividends from Capital Reserve	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Analysis of Return on Investment	Price/Earnings Ratio		24.09	17.68	-
	Price/Dividend Ratio		67.26	46.57	-
			1.49	2.15	-

Note 1: The earnings distribution for 2018 has not yet been approved by the Shareholders' Meeting
Note 2: The financial statement of the first quarter of 2019 audited by the accountant.

(vi) Dividend Policy and Implementation

1. Dividend Policy

The dividend policy of the Company has been adjusted on earning distribution policy according to the amended Company Act and through annual shareholder's meeting on June 28, 2016; in addition, the distribution policy for the remuneration of employees and directors has been promulgated in the Articles of Incorporation. The distribution policy of amended the Articles of Incorporation regulate that if there is any earning in the annual account, the earning shall be distributed according to the following orders:

(1) payment of tax;
(2) offset of its losses in previous years;
(3) 10% for legal reserve;
(4) special reserve as required by law;
(5) Below 6%(included) for dividends;
(6) The Board shall, based on the profit situation of the company, and in according with the expansion plan and profitability, taking into account the capital adequacy ratio, propose the dividends distribution for shareholders (in whole or in part distributed according to the proportion of shares held by them) and submit it to the shareholders' meeting for resolution.

The dividends policy is based on the regulations of the company Act and Articles of Incorporation. The company may take factors of financial, business and operation aspect into account, and after having deducted the statutory amounts in (1) ~ (5), distribute part or all of the remaining accumulated unpaid dividends in previous years and current distributable earnings. The earnings may be distributed in the form of cash dividends or stock dividends, but the proportion of stock dividends distributed shall not be higher than 2/3 of the total dividends and bonuses of shareholders in the current year.

Articles of Incorporation of the company not yet clearly specified the distribution ratio of shareholders' dividends, because the profit for the current year will be subject to adjustment based on future capital expenditure and capital situation, and shall be handled per resolution of the shareholders' meeting.

As the company continues to expand the factory, expand the scale of investment, and develop new products, it is necessary to retain a certain level of funds. It is estimated that the dividend distribution ratio in the near future should not differ significantly from approximately 37% to 40% in the past five years.

2. The dividend distribution proposed at the shareholders' meeting

As for the annual earnings distribution plan of 2018, the Board decided on March 26th, 2019, to allocate a total NT$2,194,102,782 (NT$ 7.3 per share), for share holders' dividends, including stock dividends of NT$ 90,168,600(NT$ 0.3 per share) and cash dividends of NT$ 2,103,934,182 (NT$ 7.0 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.

3. Explanations of expected major changes in dividend policy: none

(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 2019.

(viii) Employee Bonuses and Remunerations of Directors

1.Percentage or scope of employee bonuses and remunerations of directors and 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 directors' remunerations. The distribution proposal of employees' bonuses and directors' remuneration shall be reported to the shareholders' meeting. However, in case that the Company still has accumulated losses, the amount for offset shall be reserved, then the employees' and directors' remuneration may be distributed according to the above proportions.

2.Basis for estimating the amount of employee bonuses and remunerations of directors, 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$ 492,363,358 for employees and NT$246,181,679 for directors. The estimated ratios were 7.0% and 3.5%, respectively, in compliance with Articles of Incorporation of the Company.

(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.

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

(1) The employee remunerations distributed in cash were NT$ 231,071,599 in 2017.

(2) The actual remunerations of directors were NT$ 115,535,800 in 2017.

(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 linear guideway (GW), ball screws (BS), industrial robots, wafer robots, precision bearings, various robot arms, rotary tables, medical equipment semiconductor devices.

2. Business Proportion:
   The turnover of 2018: GW for 59%, BS for 24%, industrial robots for 8%, others 9%.

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. The current main products of the Company are listed below:

Product Category		Series
1	GW	Self-lubricating, quiet, roller, overload, microminiature, intelligent, dustproof, high rigidity, light weight, high torque resistance, cross configuration, extremely-low
2	BS	Precision grinding, precision rolling, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
3	Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, scale robotic arm series, wafer robotic arm series, electric gripper, end effector
4	Rotary Tables	Biaxial two-arm rotary table, Biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table
5	Reducer	Harmonic Reducer
6	Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
7	Medical Equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgery

4. New products (service) slated for development:

(1)MHS/MLT bath assist, MSR/MRG rehabilitation machine, MTG/MAS surgery series product development.
(2)Skara robot arm LU, AE series development.
(3)Development of protective electric jaws.
(4)Measuring type electric jaw development.
(5)Development of gas-electric rotary joints.
(6)3D visual aids data system development.
(7)The panel type arm is mass-produced.
(8)The one-arm type boat arm was mass-produced.
(9)Panel transmission module development.
(10)Development of the boat box transmission module.
(11)New cycle ball screw Super Z miniaturized TYPE2 series development and trial production.
(12)Ball screw solid assisted lubrication ball screw EL miniaturization specification development.
(13)The next generation of intelligent ball screw was introduced into the factory and trial production.
(14)The ball screw shares the dust-proof module for mass production.
(15)Mass production of new cooled C3 ball screws

(ii) Industry Overview

1. Development and Current Situation of the Industry:

The International Monetary Fund (IMF) estimated that the global economic growth rate in the year 2018 would be 3.9%, which is the fastest growth in the past seven years. Among them, mainland China, the United States, and Germany have the most competitiveness. 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; after 19th National Congress, it paid more attention to environmental protection and ecological environment, industrial transformation and upgraded automation and intelligent manufacturing, and rapidly increased the demand for key components and components. In order to boost U.S economy, the Trump government also proposed the policy of “recovery of the manufacturing industry” and promote the return of manufacturing industries and trade protection policies. Germany has diversified industrial foundation and full support from the country, and it continues to lead the development of Industry 4.0. Driven by Industry 4.0 and technologies such as the Internet of Things and Big Data, its hardware innovation, software upgrades, and hard-soft integration continue to evolve. Smart manufacturing has become an unstoppable trend.

Under the rapid development of science and technology, artificial intelligence has gradually entered people's daily lives. A large number of automation and mechanical modularization also drive manufacturing to the era of smart manufacturing, reshaping the innovation value chain of the 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. According to the estimation of Topology Research Institute, the global market for intelligent manufacturing and smart factories in 2019 will reach 250 billion U.S. dollars. Surrounding the main axis of intelligent manufacturing, the future industry will bid farewell to the economies of scale in large-scale production, tend to small-volume, customized, flexible services, and derive value-added services such as data analysis, business management, and so on. New emerging technologies such as Internet of Things, artificial intelligence, cloud computing, big data, and virtual integration will all lead intelligent manufacturing to industrial innovation.

Taiwan's machinery industry has always been behind the scenes of industrial upgrading. From high-tech manufacturing and construction projects to the agriculture and mining, they all cannot survive without machinery industry. Therefore, there is a reputation of "Machine is the mother of industry." IEK pointed out that the "industrialization of smart machines" and "smart machines for industry" are two axes of major vision proposed by the current policies. Industrial robots are an important element in the construction of automated and intelligent production systems, and they are also the keys to the future growth of the industry. Due to the difficulty in recruiting in the manufacturing industry, and in response to diversified production needs, coupled with the encouragement of multiple factors such as rising wages, lack of labor, and desire to improve product quality, the demand for smart automation and industrial robots in the manufacturing industry is more and more urgent. These will all incubate the beginning of the next wave of heavy use of robots. According to the International Federation of Robotics (IFR) data, the installation capacity of industrial robots has grown significantly at an annual rate of 200,000 units. IEK also predicts that Taiwan's smart machinery industry will accelerate the introduction of automation application programs mainly based on the robots and relevant peripherals with awareness and the application of robots will gradually present more and more specific cases innovative business models. It is expected that the market scale of global robotic products, including relevant artificial intelligence technologies, will jump to over US$ 80 billion by 2020 with the speed of geometric progression. It is expected that the industrial robots' industries will present the situation of "The bigger will still be the bigger, and the stronger remain the stronger." The IFR states that the global sales amount of industrial robotics reached 380 thousand in 2018, increasing 29% from 2017, a record high. To meet demand of the vast global market, the four dynasties of industrial robotics and several major components manufacturers have expanded or added production lines in 2018. On technique development, the trend is toward light and affordable, user-friendly interface, modular architecture, and enhanced human-machine collaboration capabilities to meet the needs of multi-application industries and to shape the future of rapid development.

The development of global machine tools is moving towards multi-axis and high efficiency. Therefore, high-end five-axis and multi-tasking machines have high thresholds for component design, processing and assembly technology. They have always been regarded as the development of Taiwan's machine tool industry. Upgrade the value of the indicator. According to research conducted by Market and Markets, the demand for global machine tools is expected to grow at a rate of 6% per year, reaching US$187 billion in 2019. This growth is mainly for the development of industrial development in the mainland and India. Among them, multi-axis machine tools account for 15% of the overall market, and are expected to grow at a compound annual growth rate of 6.7% per year, with a total turnover of US$26.8 billion. After the demand for low-end and general-purpose machine tools in the mainland market has plummeted, the mainland is pushing China's manufacturing 2025. Enterprises need to be upgraded and upgraded. In addition, US remanufacturing also requires high-end machine tools. Tool machine products will be the mainstream demand for the transformation and upgrading of global manufacturing in the future. In addition, in the global trend of developing Industry 4.0, machine tool manufacturers have also developed smart machines and production lines in combination with technologies such as complete machines, robots, Internet of Things, big data and AI. In addition, the current Torque motor rotary table only accounts for 5% of the overall market, and is expected to grow to 40% by 2020. There are still huge market opportunities for manufacturers interested in developing high-end multi-axis machine tools.

Sales of 2018 semiconductor equipment grew by 9.7%, with sales reaching US$62.1 billion, a record high. Taiwan's semiconductor foundry and packaging in the lead in technology and market share, in the global competitive semiconductor industry still has superior competitiveness, but the mainland's policy support, strong subsidies and capital-intensive advantages, the output value has been catching up, SEMI International Semiconductor Industry Association announces the latest China IC Ecosystem Report, which analyzes China's integrated circuit manufacturing supply chain, and points out that China's former wafer fab capacity will grow to global semiconductor wafer capacity in 2019. 16%, and predict that the ratio will increase to 20% by the end of 2020. Therefore, it is estimated that by 2020, there will be a large demand for semiconductor equipment and related automation peripherals such as wafer handling automation and wafer boat handling. Automation is the best way to connect various process equipment and monitor production capacity.

Although the automobile industry has experienced a decline in sales due to the simultaneous decline of the two major auto markets, the global smart transportation market can develop with new technologies such as autonomous driving, electric vehicles and 5G networks. In terms of automobile parts, as the core technology of future automobiles centers on E-Power, lightweight structure and intelligized, 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 26% in 2018 and it's estimated to become the mainstream type of steering gear box in 2031. In addition, as mainland China meets global environmental issues, its regulations for setting fuel consumption and pollution emissions are becoming increasingly stringent, so using electronic assistant ball screws in the mainland China market is going to be an irresistible trend, which is a great business opportunity.

As pointed out by Forbes Magazine, the global aging population, the rapid rise of chronically ill patients and disabled people, rising health expenditures, and rising costs of economic and social burden are pressing matter that are the pushing the development of intelligent digital health care. In addition to continuing to develop intelligently, the trend of the medical care industry needs to be directed at rapidly increasing medical cost control, and proposes measures such as creating income sources. The path of medical application automation and digital technology is the inevitable direction to help reduce the cost of care, improve efficiency and quality, and improve the quality of life of patients, thus leading to remote monitoring, telemedicine, personal alert reporting systems, and actions. The needs of applications such as health, clinical care, and smart care services. According to Radiant Insights research, it points out that the global smart health market will reach US$225.5 billion in 2022. Major nations have entered the old age society. In response to that the increase of the elderly population, the combination of medical care and health care, care service at home, and healthy lifespan are important trends in current welfare development, it is expected that there will be magnificent increase of needs on home-based welfare products, rehabilitation products and care robots. Products and services designed specifically for elderly people will also become emerging areas for all parties to engage in. The surgical industry is gradually emerging from the clinical benefits of robot-assisted surgery, such as for precise brain guidance surgery, for joint replacement surgery, and for minimally invasive surgery to reduce patient bleeding and improve the success rate, according to TrendForce The research report pointed out that the market size of surgical robots in 2021 can reach 9.3 billion US dollars, and its compound growth rate is as high as 19.3%.

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. Development trend of products:

Smart manufacturing is a global trend, and HIWIN has deployed smart automation and robotics for a long time, and its products are moving towards high value-added products, high-end manufacturing and digital applications. In addition to developing its own intelligent ball screw, HIWIN has formed an alliance with Taiwan and the International Semiconductor Industry Association, Taiwan Smart Automation and Robotics Association, and Taiwan's Tool Machines and Components Industry Association to expand the layout of smart components, smart machinery, and wisdom. The system is designed to supply the world's advanced manufacturing needs and assist customers in the transformation and upgrading.

From the trend of major industrial exhibitions and markets in recent years, many devices have begun to introduce intelligent functions, and the demand for the IOT industry has also begun to increase. The products in the market are only records or warnings, but still Lack of predictive function, in order to maintain uninterrupted production capacity and maintain product accuracy, especially the ball screw is the key component of the equipment. At present, the smart ball screw of Shanghai Silver has been the industry's leading indicator, except for the built-in dedicated sensing IC. For self-developed, it also collects large data on the actual line, which can instantly monitor screw temperature, thermal deformation, vibration quantity, lubrication status, predict the life of the product through algorithms, achieve preventive maintenance, improve production efficiency, and visualize Abnormal reminder, instant feedback on the maintenance schedule of the machine, allowing customers to arrange maintenance, replacement and repair of components in advance, avoiding losses caused by downtime, and achieving the Industry 4.0 goal.

The development of multi-axis robotic arms, the development of key components is the key, the key components required are mainly four, precision reducer, servo motor, roller bearing and drive control unit, the cost of these components account for the whole The cost of the shaft robot is more than 50%. At present, the key technologies of these four parts are mostly in the hands of European, American and Japanese manufacturers. Each multi-axis robotic arm factory itself has at least one key component technical strength, and it is matched with it. The technology owned by domestic manufacturers is combined into a complete and solid key component supply chain, and through the design of special specifications, consumers can avoid buying parts directly from component suppliers and increase profits through the maintenance market of multi-axis robots.

In addition to the original consumer electronics applications, the optoelectronic semiconductor industry expands the market for semiconductor process equipment and inspection equipment by expanding the sensors and optical components required for in-vehicle systems and expanding the market applications of optoelectronic semiconductor components. The transmission systems required for these devices often require smaller size, higher precision and reliability. The Super Z series of ball screws from Shanghai Silver meet the needs of equipment manufacturers through optimized design and manufacturing techniques.

Wafer robots began to apply visual sensing, machine networking, and expand their application areas. In response to this trend, the silver wafer arm has also developed more models for different industry use scenarios, itineraries and different processes, making the application of line automation more flexible and faster. In addition, the core structure of the wafer arm not only enhances the modularization, but also emphasizes its commonality. Through the parallel development and vertical integration of product specifications, it creates a more powerful cost advantage and control mode. The new product of the Bank of China, "Crystal Transmission Module", adopts the industry standard "SECS/GEM" communication format, which can be quickly connected to the production line regardless of whether the end user is a foundry, package or production line. Fully reach the structure of the shared module and develop it in parallel to the wafer boat carrying arm, wafer arm, and panel arm. At the same time, for the special needs of each group, special instructions and dedicated end modules can be established to make the same main structure. The scalability is fully linked and more effective. The wafer transfer module EFEM used in the semiconductor industry passed the SEMI S2 international safety certification this year. HIWIN-EFEM can be customized according to customer needs, and HIWIN wafer robots can be matched with the corresponding specifications to make the equipment and process more efficient and competitive.

The newly developed Super Z ball screw from Shanghai Silver Technology introduces optimized design and manufacturing technology, which can reduce the volume by 30% compared with the traditional screw and the performance of the ball screw. The new generation of cooled ball screw optimizes the flow path of the coolant. Design and configuration not only reduce the waste of machining stroke, but also improve the assembly efficiency of the tool machine. Industrial and commercial products are becoming lighter and lighter. In response to this demand, HIWIN is actively developing micro-small and lightweight linear slides to provide more precise displacement and lighter installation.

In recent years, the automobile industry has flourished, including the expansion of new models, the development of all-electric and oil-electric power technologies, and the application of smart-vehicle systems to drive the continuous supply chain. Automotive molds rely on high-precision machine tools for high precision, and HIWIN's new generation of cooled ball screws provide a stable thermostatic positioning system, a key component that keeps the machine tool at high precision. In response to the development trend of electric vehicles and unmanned self-driving vehicles, the vehicle's electric power steering system (R-EPS) developed by Shanghai Bank has active control functions to achieve active safety control of vehicles, such as body dynamic stability system, lane offset assist system, obstacles. Dodge, active parking assistance, etc., are functions that traditional hydraulic auxiliary steering systems cannot achieve. The legal entity estimates that 80% of new cars in the world will be listed as R-EPS in 2020.

HIWIN Medical Equipment is mainly designed to assist senior self-reliance and care needs, develop lighter and smarter equipment for use in community and personal wear, and combine biomedical sensors to provide evaluation and feedback systems. The user is more convenient and intuitive in operation. In recent years, due to advances in feedback sensing technology, high-output thin motor, human-machine interaction, and dynamic physiological signal analysis technology, the growth of related rehabilitation machine evaluation systems has been promoted. It is estimated that rehabilitation robots will gradually be extended from rehabilitation training to the wisdom of the patient's physiological state and efficacy evaluation is automated, and the effectiveness of rehabilitation equipment and the number of service patients per unit time are further enhanced by big data analysis. Welfare products are also oriented towards home, wisdom, remote care, and reduction of human resources. Their products have health promotion, ability recovery, care prevention, and strengthening the physical function of the elderly. The development direction of surgical robots follows the development of new clinical procedures, allowing doctors to operate robots by remote control. However, in the new methods of operation such as single hole surgery, natural hole surgery, etc., there is no fully effective product to assist in the market. This is also the future direction of various robot manufacturers, such as da Vinci SP system.

Today's rotary table market is still dominated by worm and worm gear transmission systems. However, with the advancement of processing technology and the pursuit of high-quality products in the market, machine tool manufacturers are constantly developing into higher technology fields and are being manufactured by modern metal molds. Due to factors such as the development of technology and rising raw material costs, the market trend is moving towards “high-speed light cutting”. At present, the workpieces produced by the mold technology are very close to the target size, and only need to be lightly cut to accurately reach the final size. It is much more efficient than traditional processing methods.

Commonly used drive sources for articulated robotic arms include electric motors, hydraulic and pneumatic drive units. Among them, servo motor drive is the most common drive method because of its high precision and reliability, due to the joints of the articulated robotic arm. A low-speed, high-torque drive source is required. Therefore, the servo motor must be used with a reducer. The reducer for the articulated robot must have the following requirements: high repeatability, stable swing speed, low friction, high efficiency, and small size. Light weight, large transmission torque, etc. The company's self-developed Torque motor rotary table, with its fast response and high torque, is equipped with an absolute encoder. The position feedback is quite accurate and can effectively meet the rotary axis module technology required by various tool operators. In the future, all rotary shaft products will be developed in a full range, including high-end product lines such as rotary spindle heads and two-axis spindle heads.

Industry 4.0's requirements for robotic arms are becoming more and more sophisticated and increasingly light. In response to this demand, HIWIN is actively developing micro-small and lightweight linear slides to provide more precise displacement and lighter installation. Industrial robots have also begun to use a large number of visual sensing, machine networking, and expand their application areas. The robotic arm of HIWIN Technology has also developed more models of different sensing, stroke and load in response to this trend, making automation applications more flexible. In addition, in the core structure of the robot arm, not only enhance the modularization, but also emphasize the commonality, through the parallel development and vertical integration of product specifications, create a more powerful cost advantage. The new intelligent technology "Smart Electric Clamping Claw" is the only gripper product in the world that adopts the "mini-double rotary linear module". It can be controlled regardless of the strength, direction, stroke and speed of the clamping. For objects that are easily deformed, easily broken, and easily damaged, it is more effective to use with a robotic arm.

4. Competition of products:

HIWIN's products have the characteristics of integrating group resources, technological innovation, and key components. We have long been engaged in the development of electromechanical integration, robot manufacturing, and the manufacture of smart mechanical components. Therefore, the silver and general linear transmission products are from Germany and Japan. The differentiation of competitors such as the mainland and the competitive advantages they have become clear. Because of this multi-dimensional high-end product development strategy, HIWIN Technology has been able to flexibly adapt to the changing international economic situation, leading the industry and reducing the impact on the market. In the face of the competition of so many linear transmission component manufacturers around the world, we listen to the needs of customers and customers, and continue to innovate products, not only differentiated and more diverse with competitor products, but also consolidate the global linear transmission component market indicators. Sexual status.

In terms of competition for key components, as the Japanese peers have hardly expanded their production capacity in recent years, the supply chain of German linear slide manufacturers in the mainland is affected by environmental protection issues. During the period when the market is in short supply, the Bank can demonstrate its competitiveness and value and meet it in time. Customer demand. In the strategy of product competition, HIWIN Technology continues to invest in materials science research, actively search for alternative materials that can replace or even better quality, and simultaneously develop spare parts technology that can be quickly produced and quickly assembled to quickly seize potential customers. With the development of smart components and smart robots, HIWIN is equipped with electronic control software and system services to provide customers with complete solutions and a great competitive advantage in the market. For example, the industry-leading smart ball screw with four diagnostic functions of temperature, preload, vibration and lubrication is more intelligent than European and Japanese competitors.

The cost of the reducer in the key components accounts for 1/3 of the cost of the domestic production machine, which is much higher than the 1/10~1/6 of the international manufacturers. It must rely on imports, and the bargaining space is small plus tariffs. Naturally, the cost of the whole machine is increased, and in the face of a highly competitive market, it can be imagined that the price competitiveness of domestic robots is low. Therefore, in addition to strengthening the self-developed development of key components of the robot, the company has built a system service team and provided complete line planning and services. Through continuous optimization of the design and performance of the robot arm, the selected industries are selected, and the robot production line suitable for the customer is planned and designed. Develop the overall solution for vertical industrial robots. After the introduction of the harmonic reducer introduced by HIWIN in 2018, the key components required for the production of the robot include: servo motor, drive, ball spline, cross ball bearing and harmonic reducer, all of which can be 100% homemade, helping the development of all kinds of robots in Shanghai.

Harmonic reducers occupy a key position in the industrial robot arm, and only Harmonics Drive System has been able to supply industrial grade applications. Therefore, mainland manufacturers are actively engaged in development, and local governments are actively supporting them. Since 2018, I have seen many manufacturers who display samples, but these products cannot reach the industrial level in terms of accuracy and longevity, and can only be used for specific low-order applications. The harmonic reducer developed by the independent technology for many years can reach 7,000 hours. The service life has reached the requirements of industrial grade applications.

For the whole machine manufacturer who intends to invest in development, except for a few capable first-line manufacturers, it will consider to develop the four/five axes internally to master the wider channel, but not necessarily can make the key components, and Taiwan Compared with the European and Japanese manufacturers, there is still room for improvement. Most of the operators who are accustomed to the concentration of the precision machinery industry in the central region are still inclined to the outsourcing operation mode of professional four- and five-axis manufacturers. According to the required speed, torque and precision, the components of the four-five axes are determined, and the quality and inertia of the structure are matched. Component size and matching controller parameters, but the key component technology is in the hands of others, it will face supply instability and high cost.

In the industrial robot industry, the core technologies are in the four major families (ABB in Switzerland, FANUC in Japan, KUKA in KUKA, YASKAWA in Yaskawa, Japan) and Nabtesco and Hamerna in the gearbox market. Harmonic Drive, which accounts for more than 70% of the market share of the mainland robot industry, has almost monopolized high-end fields such as robot manufacturing and welding. The gradual emergence of the mainland domestic wafer arm, although its accuracy and quality stability has not been compared with Japan and the United States, but its cost is relatively low, can correspond to some industries that do not need high precision, such as LED Industry only. The biggest bottleneck in the development of the domestic robot industry is that the technology of the three key components cannot be broken, and the key component outsourcing will lose its competitiveness. In the face of such a highly competitive market, in addition to strengthening the self-developed development of key components of the robot, And to build a system service team and provide complete line planning and service, through continuous optimization of the design and performance of the robot arm to improve cost performance, and has been tailor-made for customers, planning and designing the ability to adapt to the customer's robotic production line.

At present, the rotary table produced by Asian manufacturers has long-term wear problems. The manufacturer must also design the worm through the double/variable lead mechanism, and then adjust the gap error with screws, springs, gaskets, etc., which is less internationally competitive; The European market has been introduced to the Torque motor rotary table in 2000. The current competitors are Germany KESSLER and Italy LCM. If the Asian countries need to introduce the European Torque motor rotary table, it is easy to produce high overall cost and difficult maintenance. And so on. HIWIN already has the self-made production capacity of Torque motor rotary table and its key components. The complete core technology including Torque motor, shaft radial bearing and brake device can be developed by ourselves. Compared with competitors, it will be more developed. Advantages of quality and cost.

In the vehicle electric power steering system (R-EPS) market, the current international manufacturers have achieved stable supply performance, while mainland manufacturers are still in the initial stage of development. There are no manufacturers in China that have successfully mass-produced R-EPS; Experience and verification, R-EPS key components, including the self-developed capabilities of the complete core technology of ball screw, motor and control unit, have a good foundation for entering the automotive market in the future.

The lower limb rehabilitation robot and the endoscope support robot arm developed by the core technology and key components of the silver core gradually show superiority with the peer products after entering the clinical trial; in the mainland market, the lower limb rehabilitation machine of the silver Its fast on-board, patented standing support system and cost-effective European brand hanging robots that replace millions of RMB take-off are rapidly expanding in the rehabilitation market. The endoscope supporting robot arm is also positioned centrally with its patented mechanism to ensure the safety characteristics of small wounds and quick recovery of minimally invasive surgery. It is more stable and reliable than traditional support brackets and other software positioning competitors, and has obtained Japan, Southeast Asia, Highly interested with European customers. In terms of well-being products (bathing robots), Japanese and Swedish manufacturers are the main competitors of the industry. In the past, with the support of the insurance, Japan's large-scale bathing equipment flourished, but sales have gradually saturated in the past two years, and the price is still relatively High-end, weak in the international market. Surgical products (endoscope support robot), several European and Japanese manufacturers are well-known in the market, their main technologies are not the same, and in the development of technology, the United States still holds the main technology and market leadership. Due to the expiration of patents and the increase in patient acceptance, more competitors are willing to enter this market and develop related products.

In terms of product competition, HIWIN Technology adheres to the business philosophy of professionalism and globalization, continuously improving product quality to provide cost-effective products, and providing customers with one-stop service before, during and after sales to create products of the greatest value for customers.

(iii) Technology and R&D Overview

HIWIN filed a total of 237 applications at home and abroad and obtained 205 patents in 2018, and owned 1,724 valid patents at the end of 2018. It ranked 65th in "Invention Patent Certificates", 47th in "Patent Public Certificates", 72nd in Invention Patent Public Certificates, and was also No.1 in Taiwan's precision machinery field in 2018.

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

Unit: NTD Thousand

Item	2018	2019 until March 31st
R&D Expenses	1,385,997	285,314

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

Year	Product
2014	1. Continuous development and volume production of high-speed ball screws (Super T) 2. Specification expansion and volume production of Crossed Roller Bearing (CRB) series 3. Development of long-stroke single axis robot modules 4. Development of short-stroke small screws 5. Development of four-row ball DB linear guideway (UG) 6. Development of six-row ball linear guideway (SG) 7. Specification expansion and volume production of light weight and small wide linear guideway (PMW) 8. Specification expansion and volume production of quiet roller linear guideway (QR) 9. Volume production of articulated robot arms and parallel robot arms 10. Development and volume production of Robotic Gait Training System MRG-P100, which has achieved CE93/42/EEC certification.

2015	1. Development and volume production of the electric gripper, which has achieved CE2006/42/EC certification and RoHS2011/65/EU certification. 2. The articulated robot arm RA605 has achieved RoHS2011/65/EU certification and IEC60529 Edition 2.2:2013 IP65 certification. 3. Continuous development of and volume production of the whole series of parallel robot arms 4. Continuous development and volume production of Robotic Gait Training System 5. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 achieved ISO13485 certification. 6. Development and volume production of online system- roll-up machine and step platform 7. Specification expansion and volume production of external reflux miniature linear guideway (MG-O) 8. Specification expansion of six-row ball linear guideway (SG) 9. Specification expansion and volume production of low assembly roller linear guideway (RGL) 10. Specification expansion and volume production of single axis robot modules
2016	1. Development of next generation intelligent ball screws 2. Continuous development and pilot volume production of ball screws (Super Z) 3. Continuous development and volume production of self-lubricating module (EL) f ball screws 4. Development of long-stroke single axis robot module 5. Specification expansion and volume production of high-speed ball screws (Super T) 6. Development and volume production of linear guideway (CG) of high-resistant torque DB 7. Continuous development and volume production of self-lubricating oil box (E2) 8. Continuous development and volume production of SCARA robot arm RS406, which achieved 2006/42/EC, 2014/35/EU and 2014/30/EU certification 9. Development of highly dust-proof cover of roller guideway (RG) and linear guideway (CG) of high-resistant torque DB 10. Development of spine surgery robot system
2017	1. Continuous development of type 2 of New cycle ball screw (Super Z) and pilot volume production of type 1 2. Development of next generation intelligent ball screws 3. Development and mass production of new dust-proof ball screw (FW) 4. Continuous development and mass production of AG cross-profile linear guideway. 5. Continuous development and mass production of RGS/RGF ultra-low roller liner guideway. 6. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 were certified by Taiwan TFDA. 7. Complete development of Teaching upper limb Training System MST-R100 prototype 8. Complete development of the ear and nose endoscope surgery robotic arm MTG-E100 prototype 9. The articulated arm and the SCARA robot arm are verified by the "TARS". 10. Volume production of the S series integrated electric gripper 11. Volume production of the RJ series circuit rotary joints 12. Development of Automotive Screw (VBS)
2018	1.The new recirculating ball screw (Super Z) type1 is fully mass-produced. 2.The next generation of intelligent ball screw prototypes was developed. 3.The development of the new cooled C3 ball screw was completed. 4.The ultra-small line rail completes the prototype development. 5.The development of the covered roller linear slides was completed and mass production. 6.The full range of torque-resistant linear slides was developed. 7.The endoscope-supporting robot arm for continuous development and mass production. 8.Mass production of the articulated robotic arm RT610 series. 9.The parallel robotic arms RD403-110-GB and RD403-1100-PR-GB have obtained CE certification and food grade certification. 10.The articulated robot arm RA605-710-GB has obtained CE certification. 11.The EFEM wafer transfer module is SEMI S2 certified. 12.The panel arm completes the prototype development. 13.The one-arm wafer arm completes the prototype development. 14.The RAS series single-support Torque Motor rotary table has been developed and mass produced. 15.DATORKER harmonic reducer has been developed and mass produced.

(iv) Long, Short Term Business Development Strategy

1. Short Term Business Development Strategy
   (1)Accelerate mass-production of new products
   (2)Continue to strengthen global access and accelerate the deployment of system integrators.
   (3)Provide electromechanical integration products and services.
   (4)Strengthen the proportion of product modularization and system integration sales.
   (5)Provide robot system services, improve software functions and overall solutions.
2. Long Term Business Development Strategy
   (1) Establish a highly intelligent automated production line to meet the needs of diverse markets.
   (2) Continuously improve the functionality of robot software, develop industry-specific robots, and enhance competitiveness.
   (3) Develop smart machinery to connect intelligent service networks to create value for customers.

ii. Market, Production and Sales Status

(i)Market Analysis

1. Sales Regions of Major Commodities:

HIWIN product sales operations are mainly operating in four regions, Taiwan, Germany, Japan and the United States, and are classified according to operating locations as follows:

Unit: NTD Thousands

Operation Sites of Business Units	2017	2018
Taiwan	13,368,957	17,316,281
Germany	2,542,286	3,533,755
China	1,592,060	2,968,077
Japan	1,162,034	2,216,685
U.S.A.	1,060,802	1,207,781
Others	1,438,625	2,090,550
Total	21,164,764	29,333,129

2. Future Market Supply, Demand and Growth:

The International Monetary Fund (IMF) lowers its estimates of the global economic growth rate in 2019 to 3.5%, due to the escalation of trade tensions, global economic growth faces downside risks. In the short-term unresolved US-China trade dispute, the economic performance of the world and regions in the first half of 2019 will be conservative, conservatively destocking, and economic growth slowing down. However, this trade protection policy also accelerates the development competition between the United States and China. The mainland continues to promote supply-side reforms, actively develop smart manufacturing, and the overall industrial structure upgrade will bring new business opportunities for high-end equipment. The US government calls for manufacturing to return to US investment. The demand for capital goods and machine tools in the United States will increase, and the market demand will be strong. In addition, the global supply chain transfer caused by the trade war will trigger new demand in the Southeast Asian machine tool market. The significant growth expectations of manufacturing in India, Vietnam, Indonesia and other countries can be gradually demonstrated in the second half of 2019.

On the supply side, due to the recent surge in demand in the component market, many of the industry are competing to expand the plant, and even other industrial manufacturers have entered the production of investment transmission components, which is expected to result in ball screws and linear slides of general specifications. If the supply exceeds demand, manufacturers without high-end products may face insufficient orders or even stop production after the market cools down. However, in special specifications and high-precision products, the demand for smart automation continues to be hot, the price is still stable, and even the need to increase production capacity to meet the needs of new business opportunities. We will respond to this price war with a variety of products, electromechanical integration, package shipments, and overall solution marketing, plus the precision ball screw, C-axis/AC shaft rotation required for high-end compound five-axis machine tools. The demand for various industrial robots required by the workbench and the global smart manufacturing industry will also be the kinetic energy for the continued growth of HIWIN's revenue.

3.Competitive Niche:

(1) Continue developing high precision products, corresponding to the mid- to high-end market, which is relatively less affected by the economy
(2) High self-manufacturing of key components of industrial robotic arms, elevating competitiveness
(3) The group's technical resources are complete, and high-precision electromechanical integration will become the core competitiveness of the new generation
(4) Multi-intelligent products, which are conducive to future smart manufacturing opportunities
(5) Intensive global cultivation, product service is faster, and closer to market demand

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

(1)Advantages：
(1-1) R&D capacity is deep and vast
(1-2) Product development is diversified and complete
(1-3) Globally local supply is firmly rooted
(1-4) Brand awareness and reputation has been established
(1-5) Industrial structure transformation, driving smart manufacturing needs

(2)Disadvantages：
(2-1) Quantity and quality of human resources
(2-2) Existing technology can be replicated
(2-3) Competitors expand production capacity and cut prices to steal away the business.
(2-4) Reversal of business climate, excess capacity

(3)Solutions：
(3-1) Accelerate the reengineering of intelligent automation, continue to cooperate with industry-university cooperation between senior high schools and colleges
(3-2) Continue R&D of next-generation intelligent product technology

(3-3)Self-made robots join the production front to improve quality and reduce costs.

(3-4) Develop new application markets and strengthen channel marketing

(ii) Important Use and Manufacturing Process of Main Products

1. Primary use of products:

The drive control products manufactured by HIWIN Technologies 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 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	Country	Supply Status
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: NTD Thousand

2017				2018				First Quarter of 2019			
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
No manufacturers that take up more than 10% of total purchase amount				No manufacturers that take up more than 10% of total purchase amount				No manufacturers that take up more than 10% of total purchase amount			
Net Purchases	10,255,906	100.00		Net Purchases	15,472,981	100.00		Net Purchases	2,350,255	100.00	

Cause of increase or decrease: not applicable.

2. List of customers with over 10% of gross sales

Unit: NTD Thousand

2017				2018				First Quarter of 2019			
Name	Sum	To Net Sales%	Relation ship with the Issuer	Name	Sum	To Net Sales %	Relations hip with the Issuer	Name	Sum	To Net Sales %	Relations hip with the Issuer
No customers that take up more than 10% of total sales amount				No customers that take up more than 10% of total sales amount				No customers that take up more than 10% of total sales amount			
Net Sales	21,164,764	100.00		Net Sales	29,333,129	100.00		Net Sales	5,047,996	100.00	

Cause of increase or decrease: no major change.

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

Unit: NTD Thousand; Thousand

Quantity / Year / Commoditie	2017			2018		
	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Ball Screw	1,826	1,647	5,122,043	2,620	2,306	7,588,088
Linear Guideway	21,175	19,626	11,953,140	30,351	28,395	18,694,025

(vi) Sales Quantity and Value of the Last 2 Years

Unit: NTD Thousand; Thousand

Quantity / Year / Commodities	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ball Screw	290	1,256,943	1,360	3,871,114	321	1,480,235	1,846	5,649,746
Linear Guideway	859	963,730	18,542	10,851,753	1,078	1,299,972	25,256	16,037,393
Others	—	814,308	—	3,406,916	—	673,787	—	4,191,996
Total	—	3,034,981	—	18,129,783	—	3,453,994	—	25,879,135

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

Year		2017	2018	Current Year until March 31st, 2019
Number of Employees (Note)	Indirect Employees	2,263	2,429	2,416
	Direct Employees	4,030	4,547	4,348
	Total(people)	6,293	6,976	6,764
Mean Age (Note)		33.22	33.38	33.69
Average Length of Service (Note)		4.52	4.64	4.97
Education Background (%)	Doctor	0.43	0.40	0.43
	Master	11.51	11.32	11.61
	Junior College	55.22	55.84	55.63
	High School	29.84	29.53	29.74
	Without A High School Diploma	3.00	2.91	2.59

Note: 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 14001environmental 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.
5. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continue to conduct external audit every year.
6. Ball Screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
7. 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.
8. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
9. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
10. Yunke Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.

11. 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).
12. Plant I and Tanzi Plant passed TUV ISO 50001 in 2016.
13. The operating headquarters and the Plant I passed ISO 14001: 2015 edition verification in 2017
14. Yunke Plant II passed the TUV ISO 50001 energy management system evaluation in 2018
15. Plant was awarded the Gold Medal of the Republic of China Industrial Safety and Health Association for the award of the Excellent Unit for Disaster-free Working Hours (accumulated 12,058,371 hours without disability injury) in 2018
16. Received the Occupational Safety and Health Management System ISO 45001 International Standard Certification in 2019

(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; other than Plants II and VII that exceeded the discharge standard, other plants met the provisions in 2018.
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; 28,982 tons of waste water were recovered in 2018, 50% more than 2017's 14,392 tons.
6. Eterbright Solar Corporation's wastewater system added COD treatment system in 2018, the cost of wastewater single-chip treatment decreased by 64%, and the cost savings was NT$13.98 million. The energy-saving ESCO project approved by the Ministry of Economic Affairs updated the air compressor equipment and added motor frequency control at the cost of a total of NT$2.9 million, saving annual electricity bills NT$2.2 million.

(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 violation of environmental regulations; no violation was found in 2018.

2. The company 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 12,485 tons in 2018.

(v) Energy management and reduction

1. 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.
2. The Operational Headquarters of HIWIN, Plant I, Plant II, TanZi Plant, Yunke Plant 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 in 2018, 91,000 kWh were saved and 482 tons of CO2e emissions were reduced.

Plant	Reduction plan	Annual energy (degrees)	Annual savings (ten thousand)	Reduction of carbon (metric tons of CO2e)
Operation Headquarters	Telecentric Separator Energy Saving Plan	45,325	13	24
Operation Headquarters	Air compressor system energy saving plan	400,132	118	212
Operation Headquarters	Air compressor system energy saving plan	98,550	29	52
Plant I	Air compressor system energy saving plan	120,000	35	63
Plant II	Machine wind pressure energy saving plan	73,705	22	39
Tanzi Plant	Replacement of air compressor	174,327	51	92
	total	912,039	268	482

3. HIWIN Technologies has installed 486kW of solar energy system in its own plant. It saved 85,000 kWh of electricity in 2018 and reduced carbon dioxide by 53.9 metric tons.
4. Energy-saving improvement target: HIWIN estimates that it will invest NT$ 9.36 million in 2019, saving 3.3 million kWh of electricity, 924 million dollars of electricity bills annually, and directly reducing carbon dioxide by 1,749 metric tons; Eterbright Solar Corporation expects to integrate the newly established 485-kilowatt solar energy system into Taipower's power supply system in 2019, which is expected to save 680,000 kWh of electricity and 432 metric tons of carbon dioxide.

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, reference has been made to international human rights conventions to formulate and expose safeguarding human rights policies. 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 respects 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) Taiwan Parent Company
   Through the welfare policy: insurance/health care, comprehensive care for the insurance plan of the colleagues, meal subsidies, new home benefits, wedding and funeral subsidies, babysitting subsidies, staff quarters and employee compensation, etc., each employee of HIWIN Technologies can be fully cared for, and the employees and family members have a better quality of life, and become an important pillar and backing for supporting BOC employees. HIWIN Technologies provides a comprehensive welfare system as follows:

Welfare System	Items
Insurance/Medical Care	Group insurance, regular health examination
Insurance plan employees' that ensures comprehensive care	In accordance with the law, every employee is insured with labor insurance and universal health insurance, so that colleagues can be fully protected. In addition, in order to ensure the living security of employees and their families, it also increases group insurance for employees, employees, and other medical care, accidents, and major illnesses.
Meal subsidy	In order to develop and motivate employees and team skills, the company gives the department a "meal subsidy" every quarter, so that colleagues can arrange group dinners or entertainment, and relax and get closer to each other.

New home gift	The home environment helps the colleagues to settle down their work. Therefore, for the purchase of homeowners, the new homes will be given a new residence fee of NT$1,200-6,000.
Wedding and funeral allowance	In order to improve the well-being of employees, colleagues will be entitled to a wedding payment ranging from NT$5,200-60,000 to seniority. If the person or the family is unfortunately killed, there will be a concession of NT$7,000-130,000.
Babysitting allowance	A baby allowance of NT$5,000/month (for a period of 3 years) per child is given to encourage the birth of the same person. Originally for 2 years, it will be extended to 3 years from October 1, 2017.
Employee dormitory	Considering the accommodation expenses and safety issues of foreign employees, HIWIN Technology provides low-cost and well-established safety management system for staff quarters, and implements care and care, so that colleagues can live with peace of mind, enhance interpersonal interaction and save money.
Employee compensation	If the company makes a profit in the year, it will pay the employee bonus of 10% or less, but not less than 1%, and distribute the employees' compensation to enable the employers and employees to share the operating results.
Others	Staff restaurants, staff parking, free overtime meals and snacks, wedding and funeral allowances, travel grants, three coupons, birthday vouchers, special store discounts, sports prizes, massage services, etc.

In order to improve Taiwan's fertility rate and economic development considerations, HIWIN began promoting the "nursing-in-child subsidy" policy in 2012, employees will be able to receive NT$5,000 per month for three consecutive years, regardless of gender. NT$180,000), under the promotion of this welfare, 817 HIWIN babies were born between 2015 and 2018. In addition to the value of work, employees can also build a happy family and fulfill their responsibilities.

(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, spending tens of thousands of funding on employee educational training annually, maintaining the average training expense at over NTD 2,000 per person, assuring every employee of the opportunity to receive training.

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.

➢ Retirement system and implementation:

Pension System	Old	New
Applicable law	Labor Standards Law	Labor Pension Statutes
Distribution Method	2% of the employee's monthly salary, deposited in the name of the company into a Bank of Taiwan account	6% of the employee insurance level is paid to the individual account of the Labor Insurance Bureau
Amount	Labor Retirement Reserves amounted to NT$82,810 thousand as of the end of December, 2018	New pensions of NT$153,721 thousand in 2018

(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.

In addition to insured group insurance, the company occasionally organizes environmental and safety lectures and occupational safety and health courses, and regularly publishes environmental, health and safety electronic newspapers to protect the personal safety of colleagues and handle them in an emergency.

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

HIWIN Technologies (including the parent company and its subsidiaries) has a harmonious relationship between employers and employees, and there are no major losses arising from labor disputes and labor disputes.

(iii) Any establishment on employee behavior or code of ethics?

HIWIN Technologies has working rules to regulate the working hours, rewards and punishments, promotion and welfare measures of colleagues

vi. Important Contracts

April 30th, 2019

Nature of Contract	Party	Duration	Content	Restrictions
Contract of Factory Lease	William Tools Co., Ltd.	2014.11.16-2024.11.15	Factory Lease	None
	UDIFA CO., Ltd.	2017.01.01-2019.12.31	Factory Lease	None
Long-Term Loan Contract	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
	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	2015.11.24-2020.11.24	Secured Loan	None
	Bank of Taiwan	2016.11.21-2031.11.21	Secured Loan	None
	Bank of Taiwan	2016.11.21-2023.11.21	Secured Loan	None
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	None
	Bank of Taiwan	2019.02.21-2026.02.21	Secured Loan	None
	Bank of Taiwan	2019.02.21-2034.02.21	Secured Loan	None
	Land Bank of Taiwan	2007.06.04-2020.06.04	Secured Loan	None
	The Export-lmport Bank of ROC	2016.02.01-2022.02.01	Secured Loan	None
	The Export-lmport Bank of ROC	2017.12.18-2023.12.18	Secured Loan	None
	KGI Bank	2019.02.01-2021.02.01	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: NTD Thousand

Item \ Year		2014	2015	2016	2017	2018	2019 until March 31st
Liquid Assets		12,964,755	13,572,645	11,668,110	13,111,622	18,454,284	17,555,344
Immovable Property, Plant and Equipment		15,258,375	15,930,786	17,796,029	21,303,831	25,226,895	25,848,038
Intangible Assets		14,473	192,388	192,388	177,915	256,163	256,163
Other Assets		2,090,160	3,070,400	3,309,998	2,980,190	4,955,500	6,130,382
Total Assets		30,327,763	32,766,219	32,966,525	37,573,558	48,892,842	49,620,216
Liquid Liabilities	Before Distribution	9,974,387	11,526,855	10,656,204	13,318,739	17,638,899	16,556,938
	After Distribution	10,810,980	12,092,340	11,095,666	14,299,290	Note 2	Non-Applicable
Non-Current Liabilities		6,681,091	6,738,634	7,510,403	7,654,970	6,815,543	7,697,780
Total Liabilities	Before Distribution	16,655,478	18,265,489	18,166,607	20,973,709	24,454,442	24,254,718
	After Distribution	17,492,071	18,830,974	18,606,069	21,954,260	Note 2	Non-Applicable
Equity Attributable to Owners of the Parent Company		12,928,141	13,646,037	14,101,611	16,293,096	24,180,459	25,169,660
Capital Stock		2,614,354	2,692,785	2,746,640	2,801,573	3,005,620	3,005,620
Capital Reserve		308,630	311,955	308,630	308,630	3,236,274	3,236,274
Retained Earnings	Before Distribution	10,019,718	10,732,921	11,311,874	13,433,833	17,563,425	18,150,255
	After Distribution	9,104,694	10,167,436	10,872,412	12,453,282	Note 2	Non-Applicable
Other Equities		(14,561)	(91,624)	(265,533)	(250,940)	375,140	777,511
Non-Controlling Equities		744,144	854,693	698,307	306,753	257,941	195,838
Total Equity	Before Distribution	13,672,285	14,500,730	14,799,918	16,599,849	24,438,400	25,365,498
	After Distribution	12,835,692	13,935,245	14,360,456	15,619,298	Note 2	Non-Applicable

Note 1: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.
Note 2: The 2018 dividend distribution case was approved by the board of directors on March 26th, 2019, but it has not yet been approved by the shareholders meeting.

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

Item \ Year		2014	2015	2016	2017	2018
Liquid Assets		10,928,330	10,616,368	9,063,997	10,043,806	14,812,932
Immovable Property, Plant and Equipment		13,137,766	13,147,415	14,289,991	16,833,733	20,804,336
Intangible Assets		-	-	-	-	-
Other Assets		4,196,536	5,990,436	6,332,876	6,249,042	8,610,485
Total Assets		28,262,632	29,754,219	29,686,864	33,126,581	44,227,753
Liquid Liabilities	Before Distribution	9,123,638	9,888,427	8,783,530	10,466,752	14,381,950
	After Distribution	9,960,231	10,453,912	9,222,992	11,447,303	Note 2
Non-Current Liabilities		6,210,853	6,219,755	6,801,723	6,366,733	5,665,344
Total Liabilities	Before Distribution	15,334,491	16,108,182	15,585,253	16,833,485	20,047,294
	After Distribution	16,171,084	16,673,667	16,024,715	17,814,036	Note 2
Equity Attributable to Owners of the Parent Company		NA	NA	NA	NA	NA
Capital Stock		2,614,354	2,692,785	2,746,640	2,801,573	3,005,620
Capital Reserve		308,630	311,955	308,630	308,630	3,236,274
Retained Earnings	Before Distribution	10,019,718	10,732,921	11,311,874	13,433,833	17,563,425
After Distribution		9,104,694	10,167,436	10,872,412	12,453,282	Note 2
Other Equities		(14,561)	(91,624)	(265,533)	(250,940)	375,140
Non-Controlling Equities		NA	NA	NA	NA	NA
Total Equity	Before Distribution	12,928,141	13,646,037	14,101,611	16,293,096	24,180,459
After Distribution		12,091,548	13,080,552	13,662,149	15,312,545	Note 2

Unit: NTD Thousand

Note 1: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2018 dividend distribution case was approved by the board of directors on March 26th, 2019, but it has not yet been approved by the shareholders meeting.

(iii) Condensed Consolidated Income Statement -International Financial Reporting Standards (Consolidated)

Item / Year	2014	2015	2016	2017	2018	2019 until March 31st
Operating Revenue	15,087,336	14,881,048	16,118,298	21,164,764	29,333,129	5,047,996
Operating Margin	5,790,752	5,333,619	5,302,045	7,582,638	11,629,580	1,857,568
Operating Profit and Loss	2,847,835	1,902,617	1,450,907	3,345,101	6,419,195	759,646
Non-Operating Income and Expenses	63,107	(68,431)	(261,210)	(532,966)	(323,235)	40,318
Net Profit Before Tax	2,910,942	1,834,186	1,189,697	2,812,135	6,095,960	799,964
Net Profit of the Term	2,267,350	1,394,559	960,777	2,251,520	4,890,423	563,730
Other Consolidated Profit and Loss of the Term (Net of Tax)	(22,356)	(91,926)	(173,357)	(30,303)	483,704	407,305
Total Consolidated Profit and Loss of the Term	2,244,994	1,302,633	787,420	2,221,217	5,374,127	971,035
Net Profits Attributable to Owners of the Parent Company	2,404,906	1,642,238	1,326,815	2,738,019	5,392,257	619,640
Net Profit Attributable to Non-Controlling Equities	(137,556)	(247,679)	(366,038)	(486,499)	(501,834)	(55,910)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	2,382,550	1,551,550	1,152,567	2,709,808	5,878,542	1,022,011
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(137,556)	(248,917)	(365,147)	(488,591)	(504,415)	(50,976)
Earnings per Share	8.33	5.69	4.60	9.49	18.44	2.06

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

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

Item / Year	2014	2015	2016	2017	2018
Operating Revenue	12,924,054	12,489,325	12,541,259	17,053,792	24,600,218
Operating Margin	4,517,573	4,242,859	3,975,130	6,121,731	9,427,810
Operating Profit and Loss	2,987,335	2,500,500	2,412,824	3,852,729	6,077,872
Non-Operating Income and Expenses	(55,165)	(479,752)	(917,680)	(671,682)	212,726
Net Profit Before Tax	2,932,170	2,020,748	1,495,144	3,181,047	6,290,598
Net Profit of the Term	2,404,906	1,642,238	1,326,815	2,738,019	5,392,257
Other Consolidated Profit and Loss of the Term (Net of Tax)	(22,356)	(90,688)	(174,248)	(28,211)	486,285
Total Consolidated Profit and Loss of the Term	2,382,550	1,551,550	1,152,567	2,709,808	5,878,542
Net Profits Attributable to Owners of the Parent Company	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Net Profit Attributable to Non-Controlling Equities	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Earnings per Share	8.33	5.69	4.60	9.49	18.44

Unit: NTD Thousand

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

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

Year	CPA	Name	Audit Opinion
2014	Deloitte & Touche	Yan Xiaofang, Cheng Derui	Unqualified Opinion
2015	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Unqualified Opinion
2016	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Unqualified Opinion
2017	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Unqualified Opinion
2018	Deloitte & Touche	Yan Xiaofang, Zeng Dongyun	Unqualified Opinion

ii. Financial Analyses for the Last Five Years (i) International Financial Reporting Standards (Consolidated)

Item	Year	2014	2015	2016	2017	2018	2019 until March 31st
Financial Structure (%)	Liability-Asset Ratio	54.97	55.74	55.11	55.82	50.02	48.88
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	133.39	133.32	125.37	113.85	123.89	127.91
Debt-Paying Ability	Liquidity Ratio (%)	129.98	117.75	109.50	98.44	104.62	105.01
	Quick Ratio (%)	88.42	68.81	66.19	56.99	53.26	49.94
	Interest Protection Multiples	17.91	11.74	8.43	22.41	42.47	21.81
Operating Ability	Receivables Turnover Ratio	2.83	2.61	3.13	4.63	5.57	3.56
	Average Collection Period	129	140	117	79	66	103
	Inventory Turnover Ratio	2.20	1.88	1.98	2.48	2.29	1.33
	Payables Turnover Ratio	4.38	4.18	4.75	4.14	3.57	2.84
	Inventory Conversion Period	166	194	184	147	159	274
	Immovable Property, Plant and Equipment Turnover Ratio	1.03	0.95	0.96	1.08	1.26	0.79
	Total Assets Turnover Ratio	0.52	0.47	0.49	0.60	0.68	0.41
Profitability	Return on Assets (%)	8.31	4.87	3.33	6.69	11.59	4.83
	Return on Equity (%)	17.81	9.90	6.56	14.34	23.83	9.06
	Net Profit Before Tax to Paid-up Capital Ratio (%)	111.34	68.11	43.31	100.38	202.82	106.46
	Net Profit Ratio (%)	15.03	9.37	5.96	10.64	16.67	11.17
	Earnings per Share (NT$)	8.33	5.69	4.60	9.49	18.44	2.06
Cash Flow (%)	Cash Flow Ratio	32.15	9.07	41.56	49.30	29.20	(20.93)
	Cash Flow Adequacy Ratio (Note 1)	63.54	43.02	51.73	80.06	66.96	55.22
	Cash Reinvestment Ratio	12.45	0.99	17.32	25.26	13.34	(2.62)
Degree of Leverage	Degree of Operating Leverage	2.03	2.84	3.61	2.29	1.81	2.61
	Degree of Financial Leverage	1.06	1.10	1.12	1.04	1.02	1.05

Reasons why each financial ratio has changed by 20% in the last two years:

1.The financial ratios of Interest Protection Multiples and Profitability increased because the profits this year were more than that of last year.

2.Receivables Turnover Ratio increased mainly because of business growth, clear inventory and because receivables were collected well.

3.Cash flow rate ratio and cash reinvestment ratio increased mainly because the operating net cash flow of this year increased.

4.Degree of Operating Leverage reduced because the operating profit of this year increased.

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	2014	2015	2016	2017	2018
Financial Structure (%)	Liability-Asset Ratio	54.26	54.14	52.50	50.82	45.33
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	145.68	151.10	146.28	134.61	143.46
Debt-Paying Ability	Liquidity Ratio (%)	119.78	107.36	103.19	95.96	103.00
	Quick Ratio (%)	85.45	69.12	70.16	62.67	61.10
	Interest Protection Multiples	20.54	14.72	11.99	32.27	79.54
Operating Ability	Receivables Turnover Ratio	2.29	2.15	2.46	3.44	4.01
	Average Collection Period	159	170	148	106	91
	Inventory Turnover Ratio	2.63	2.35	2.51	3.32	3.12
	Payables Turnover Ratio	4.22	4.01	4.39	3.83	3.37
	Inventory Conversion Period	139	155	146	110	117
	Immovable Property, Plant and Equipment Turnover Ratio	0.97	0.95	0.91	1.10	1.31
	Total Assets Turnover Ratio	0.48	0.43	0.42	0.54	0.64
Profitability	Return on Assets (%)	9.30	6.08	4.84	8.99	14.11
	Return on Equity (%)	19.91	12.36	9.56	18.02	26.65
	Net Profit Before Tax to Paid-up Capital Ratio (%)	112.16	75.04	54.44	113.55	209.29
	Net Profit Ratio (%)	18.61	13.15	10.58	16.06	21.92
	Earnings per Share (NT$)	8.33	5.69	4.60	9.49	18.44

Cash Flow (%)	Cash Flow Ratio	36.07	24.60	47.02	64.10	40.06
	Cash Flow Adequacy Ratio (Note 1)	58.13	52.28	60.94	89.06	78.49
	Cash Reinvestment Ratio	13.61	8.04	17.05	27.67	16.02
Degree of Leverage	Degree of Operating Leverage	1.73	1.98	1.97	1.79	1.69
	Degree of Financial Leverage	1.05	1.06	1.06	1.03	1.01
Reasons why each financial ratio has changed by 20% in the last two years: 1.The increase in the interest protection ratio and the profitability of various financial ratios was mainly attributable to the increase in profit this year compared to last year. 2.The cash flow ratio and cash reinvestment ratio decreased, due to higher liquid liability						

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=Total Liabilities/Total Assets
   (2) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment= (Total Equity+Non-Current Liabilities)/ Net Amount of Immovable Property, Plant and Equipment
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= 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) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment= (Total Equity+Non-Current Liabilities)/Net amount of Immovable Property, Plant and Equipment
   (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= (Profit And Loss Attributable to the owners of the parent company -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 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. 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 2018, Business Report and Earning Distribution Plan 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. For your review and approval.

HIWIN Technologies Corporation

Audit Committee Convener: Jiang Zhenghe

March 26th, 2019

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

Please refer to Appendix.

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

Please refer to Appendix.

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: NTD Thousand

Item / Year	2017	2018	Difference	
			Sum	%
Liquid Assets	13,111,622	18,454,284	5,342,662	40.75
Fund and Investment	485,293	1,116,495	631,202	130.07
Immovable Property, Plant and Equipment	21,303,831	25,226,895	3,923,064	18.41
Other Assets	2,672,812	4,095,168	1,422,356	53.22
Total Assets	37,573,558	48,892,842	11,319,284	30.13
Liquid Liabilities	13,318,739	17,638,899	4,320,160	32.44
Long-Term Liabilities	7,087,273	6,011,746	(1,075,527)	(15.18)
Other Liabilities	567,697	803,797	236,100	41.59
Total Liabilities	20,973,709	24,454,442	3,480,733	16.60
Equity Attributable to Owners of the Parent Company	16,293,096	24,180,459	7,887,363	48.41
Equity	2,801,573	3,005,620	204,047	7.28
Capital Reserve	308,630	3,236,274	2,927,644	948.59
Retained Earnings	13,433,833	17,563,425	4,129,592	30.74
Other Equities	(250,940)	375,140	626,080	(249.49)
Non-Controlling Equities	306,753	257,941	(48,812)	(15.91)
Total Equity	16,599,849	24,438,400	7,838,551	47.22

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

(II) Analysis of changes in the increase or decrease ratio exceeding 20%:

1.The increase in current assets, the main sales were good, the increase in accounts receivable and the increase in stocks due to stocking.
2.The increase in funds and investments was mainly based on the IFRS communiqué to convert investment to fair value.
3.Other assets increased, and the main expansion of production capacity led to an increase in prepaid equipment.
4.The increase in total assets was mainly due to the increase in the above-mentioned current assets, funds and investments and other assets.
5.As the current liabilities increased, the main business sentiment increased, and the increase in stocks led to an increase in accounts payable.
6.Other liabilities increased, mainly due to the increase in deferred income tax liabilities.
7.The equity, retained earnings and total equity attributable to owners of the parent company increased mainly in the current period and the surplus increased.
8.The capital reserve will increase, and the main premium will be used for cash replenishment.
9.The increase in other interests was mainly based on the IFRS communiqué to change the investment to fair value.

ii. Financial Performance

(i) Operating Results Analysis

Unit: NTD Thousand

Item \ Year	2017	2018	Increased (Decreased) Amount	Rate of Change (%)
Net Operating Revenue	21,164,764	29,333,129	8,168,365	38.59
Operating Costs	13,582,126	17,703,549	4,121,423	30.34
Operating Margin	7,582,638	11,629,580	4,046,942	53.37
Operating Expenses	4,237,537	5,210,385	972,848	22.96
Operating Profit	3,345,101	6,419,195	3,074,094	91.90
Non-Operating Income and Expenses	(532,966)	(323,235)	209,731	(39.35)
Profit Before Tax	2,812,135	6,095,960	3,283,825	116.77
Income Tax Expense	560,615	1,205,537	644,922	115.04
Net Profit of This Year	2,251,520	4,890,423	2,638,903	117.21
Other Consolidated Profit and Loss of the Term (Net of Tax)	(30,303)	483,704	514,007	(1,696.22)
Total Consolidated Profit and Loss of the Term	2,221,217	5,374,127	3,152,910	141.95
Net Profits Attributable to Owners of the Parent Company	2,738,019	5,392,257	2,654,238	96.94
Net Profit Attributable to Non-Controlling Equities	(486,499)	(501,834)	(15,335)	3.15
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	2,709,808	5,878,542	3,168,734	116.94
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(488,591)	(504,415)	(15,824)	3.24

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 income, Operating costs, Operating margin, Operating Profit, Income Tax Expense, 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 main reason is having a good economy in the current period, with a substantial increase in production capacity and an increase in sales volume.
2. Non-Operating Income and Expenses: The main cause is due to subsidiary listed assets impairment for the current period.
3. Income Tax Expense: The main cause is due to the increase in net profit before tax for the current period, and the estimated increase in income tax expenses payable.
4. Other comprehensive income of this period: The main cause is due to the increase in the value of the Taiwan dollar in the previous period resulted in a

decrease in the exchange loss in the financial statements of foreign operating institutions.

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 Countermove:

Please refer to "Letter to Shareholders".

iii. Cash Flow

(i) Liquidity Analysis of the Last 2 Years:

Item \ Year	2017	2018	Increase (Decrease) Percentage (%)
Cash Flow Ratio (%)	49.30	29.20	(40.77)
Cash Flow Adequacy Ratio (%)	80.06	66.96	(16.36)
Cash Reinvestment Ratio (%)	25.26	13.34	(47.19)
Analysis for the Change over 20%: 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:

The company expects that cash inflows from operating accounts and cash inflows from operating activities in the coming year should be available for investment activities and fund-raising activities, and cash liquidity will not be considered in the coming year

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

(i)Major Capital Expenditure and Capital Source

Unit: NTD Thousand

Projects	Actual or Expected Capital Source	Actual or Expected Completion Date	Total Capital Required in 2018 and 2019	Actual Capital Expenditure in 2018 and Planned Capital Expenditure in 2019	
				2018	2019
Building factories	Own funds, financing	2019.12	4,618,890	3,382,160	1,236,730
Purchasing land to build factories	Own funds, financing	2019.12	1,710,000	-	1,710,000
Increasing production equipment	Own funds, financing	2019.12	5,886,344	3,826,344	2,060,000

(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 Group's investment strategy is to strengthen the Group's all-round development in products, processes, key technologies, marketing and service customers. It is expected to replicate the company's successful production and management experience through investment conversion to reduce production costs and serve customers nearby. Goal and accelerate the globalization of the layout. In June 2018, the company acquired the British gear and tool machine manufacturer Matrix, and obtained control and mastered its operational activities. It hopes to realize the integration benefits of the Group's resources through its brand image and technology exchange, and through joint exhibitions. Enhance market visibility and achieve the goal of improving the Group's operational efficiency.

In 2018, the Bank of Germany, the United States, Japan, China, the Italian subsidiary and the Mega Fabs were all profitable. The main factors were global economic enthusiasm, the supply of key components was in short supply, and the development of the local market was successful, so the operation continued to grow. In recent years, the Singapore and South Korean subsidiaries have been working hard to develop the market. However, they have not yet reached the economic scale and still have a loss in the year. However, the operations and losses in 2017 have improved significantly compared to 2017. It is hoped that the market will continue to be deeply cultivated and talents will be introduced. With the more complete and multiple benefits of the product line, the future operating conditions are expected to gradually improve.

Eterbright Solar Corporation is currently focusing on R&D and new product promotion. However, due to the downturn in the solar energy industry and the collapse of the market price of solar energy products, it has not yet made a profit in 2018. After the conversion rate is improved and the development of niche products is expanded, the operating conditions are expected to gradually Improvements; Luren is committed to the development and upgrading of new production models, and will continue to optimize the machine to open up the market with higher added value, with the cost advantage of the Bank of China to integrate components directly, and the Bank of China Group With a dense sales channel and intelligent hardware and software equipment with the concept of Industry 4.0, the expected loss situation is expected to gradually improve.

In other overseas markets where no subsidiaries have been established, the Company will also assess whether it is necessary to establish a direct unit at a suitable location in the local area, and immediately support agents in each region or directly supply customers

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:
As of the date of publication of the annual report, HIWIN's long-term and short-term borrowings can be used cyclically within the contract period as stipulated in the contract, under the precondition of improving the financial structure and reducing the risk of interest rate changes. 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. Therefore, the change in interest rates did not have a significant impact on HIWIN.

(2) Exchange Rate:
Its revenue in 2018 mainly came from RMB, followed by Euros and US Dollars; 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:
The annual growth rate of Taiwan's CPI announced in 2018 and estimated for 2019 is respectively 1.98% and 0.56%. The assessment of inflation risk is still within an acceptable range. 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) HIWIN has never been engaged in high-risk and high leveraged investment deals.

(2) As of the publication date of the annual report, HIWIN Technologies has never lent funds to other parties but HIWIN Italy according to Procedures for Lending Funds to Other Parties and with approval of the Board, the balance and the actual expenditure was NT$55,582 thousand at the end of 2018.

(3) It made endorsements and guarantees according to Procedures for Endorsements and Guarantees, which was also approved by the Board; the balance at the end of 2018 was NT$2,830,440 thousand, The actual amount of expenditure is NT$1,201,015 thousand; this endorsement and guarantee can effectively reduce subsidiaries' capital increase demand for the parent company and is also beneficial to tax planning.

(4) HIWIN 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 of HIWIN (parent company and its subsidiaries) in 2018 were NT$1,385,997 thousand, accounting for 5% of the revenue, 194,688 thousand or 16% more than 2017's 1,191,309 thousand . It'll be engaged in R & D positively in the future to lay a solid foundation for a long-term development potential, developing new products such as reducers, medical robots 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
Rotary table high response brake system	In development	It should be able to be developed smoothly
Harmonic Reducer	It is expected to expand 15 specifications	It should be able to be developed smoothly
Modulated Harmonic Reducer	In development	It should be able to be developed smoothly
Limited Process Guideway	In development	It should be able to be developed smoothly
Smart line development	In development	It should be able to be developed smoothly
Rotating spindle head R&D	Customer test phase	It should be able to be developed smoothly
Rotary table RAB-800	In development	It should be able to be developed smoothly
Rotary table RAS-650	In development	It should be able to be developed smoothly
R-EPS car screw development	1. Sample customer real vehicle verification 2. Continue to develop new specifications based on market demand after the sale.	It should be able to be developed smoothly
R-EPS	In development	It should be able to be developed smoothly
Upper/lower limb rehabilitation robot development	In development	It should be able to be developed smoothly
Endoscope-supporting robotic arm	In development	It should be able to be developed smoothly
Bathing-assisting robot	In development	It should be able to be developed smoothly
Skara robotic arm LU, AE series development	In development	It should be able to be developed smoothly
Development of protective electric jaws	In development	It should be able to be developed smoothly

Measuring type electric jaw development	In development	It should be able to be developed smoothly
Development of gas-electric rotary joints	In development	It should be able to be developed smoothly
3D visual aids data system development	In development	It should be able to be developed smoothly
Panel type arm trial production	In development	It should be able to be developed smoothly
One-arm wafer arm mass production	In development	It should be able to be developed smoothly
Panel transmission module development	In development	It should be able to be developed smoothly
Wafer transmission module development	In development	It should be able to be developed smoothly

It's estimated the Company's R&D costs in 2019 will be about NT$ 1,500,000,000~ NT$ 1,600,000, 000, up 10%~15% from 2018; 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 HIWIN'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 80 billion dollars in 2020. 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.

To meet the demand of population aging and low birth rate, human needs for welfare equipment, medical equipment and rehabilitation equipment are increasing. HIWIN will continue to research and develop new products besides robots for lower limb muscle training, bathing spa systems, and endoscope-supporting robot arms. In addition, due to the awareness rise on Co2 emission reduction and energy saving, HIWIN also accelerate the development and deployment of green energy products also expands the industry category client base.

The technology and industry evolution aim at promoting human well-being, which coincides with HIWIN's management ideas. Therefore, HIWIN produces the most complete robot types in the world, and the global layout has been gradually put into place, it will continue to improve the R&D ability, increase the variety and the added value of the products, grasp 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

HIWIN 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 Gold and Silver Medal at the 27th "Taiwan Excellence Silver Award" in 2018, and was awarded Gold Award of Electronic Information Manufacturing section under Taiwan Corporate Sustainability Reports by TCSA; all these show HIWIN 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

In June 2018, HIWIN Technologies acquired the shares of the British thread forming machine manufacturer Matrix Machine Tool (Coventry) Ltd.; as of the printing date of the annual report, there were no other M&A activities

8. Anticipated Benefits, Possible Risks and Countermeasures of Plant Expansion, please refer to VII. iv of the annual report. HIWIN has been laying a solid foundation over the years, rich experience and good results in investing R&D and process improvement. In addition to continuing to extend the process forward to capture the source of raw materials and reduce the cost of material purchases, the continuous improvement of the process has been put into production in the most profitable way. Therefore, the efficiency of the expansion of the plant is expected to be significantly higher than that of the existing plant.

Although the expansion of the plant requires capital investment, the developed product can also reduce the production cost in addition to meeting the scale, and it can also complete the product line of the company, to provide one-stop shopping for products such as customer components and sub-systems. The financial analysis also shows that in addition to increasing production capacity, the expansion of the plant can also reduce product costs and increase gross profit margin due to economies of scale. In summary, even if the economy temporarily declines, the company can flexibly control the production line and the configuration of each product's production capacity due to the advantages of key technologies. The risk of expanding the plant should be limited.

9. Risks and Countermeasures of Centralized Purchases or Sales
HIWIN didn’t purchase over 10% of its materials from any manufacturer in 2018 or 2017, so centralized purchases didn’t exist; the net sales of its largest customer accounted for 9% of the annual net sales respectively in 2018 and 2017, 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 HIWIN, 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 HIWIN’s management right hasn’t changed in the last year and as of the publication date of the annual report.

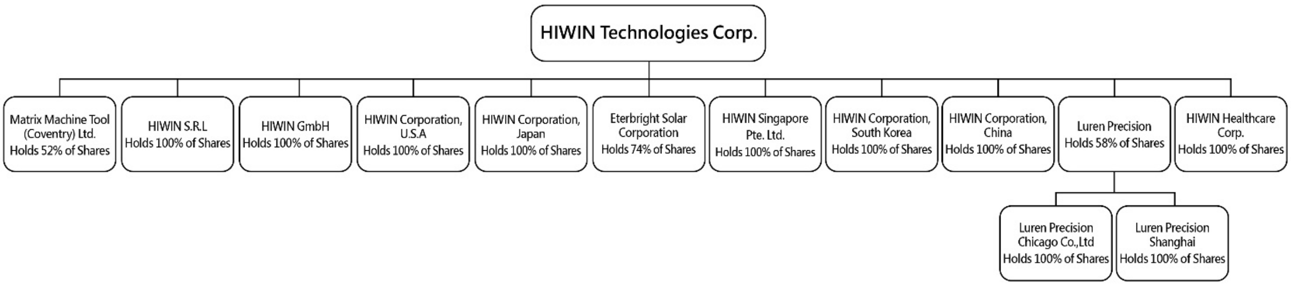
12. Litigation & Non-Litigation
There have been no litigation & non-litigation cases as of the publication date of the annual report.

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, 2019

(ii) Basic Information of Affiliates

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
HIWIN GmbH	19930401	Brücklesbünd 2 D-77654 Offenburg,Germany	EUR5,635,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, U.S.A	19920915	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	19991101	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	20101201	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County 351, Taiwan	NTD2,311,514,690	Research, development, design, manufacture and sale of solar cells, electronic components, generation transmission, and power distribution products, etc.
HIWIN Singapore Pte. Ltd.	20130807	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	20131008	125-25 Saneop-ro, 156beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do 441-811, Korea	KRW7,200,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots

HIWIN S.R.L	20130329	Via Pitagora 4, 20861 Brugherio (MB)	EUR8,500,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, China	20140408	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Luren Precision	19940502	No. 1-1, Li Hsin 1st Rd., Hsinchu Science Park, Hsinchu City	NTD305,249,950	Development, design, manufacturing and sale of high precision gear cutter and gear lapping machine tool
HIWIN Healthcare Corp.	20150421	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sale of medical robots
Luren Precision Chicago Co.,Ltd	20100422	707 REMINGTON ROAD, UNIT1 SCHAUMBURG IL 60173	USD460,000	Sale of high precision gear cutter and gear lapping machine tool
Luren Precision Shanghai	20090109	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
Matrix Machine Tool (Coventry) Ltd.	20031021	Unit 4, Spitfire Close Coventry Business Park CV5 6UR United Kingdom	GBP4,649,500	Design, manufacture and sale of thread forming machines

Note: the base date of paid-in capital is April 30, 2019

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

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

The industries covered by business of HIWIN's affiliates are mainly "Drive Control and System Technology Products Manufacturing Service", "Gear tools machine industry" and "Solar photovoltaic industry"; 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.: Chuo Yung-Tsai	2,148,000	100%

HIWIN Corporation, U.S.A	Director	Tsai Huichin, Chuo Wenheng, Qiu Shirong	-	-
	General Manager	Qiu Shirong	-	-
HIWIN Germany GmbH	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	Note 1	100%
	General Manager	Werner Mäurer	-	-
HIWIN Corporation, Japan	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	54,200	100%
	Director	Chuo Wenheng, Nakada, Huang Lihong	-	-
	Supervisor	Lin Yifeng	-	-
	Assistant General Manager	Huang Lihong	-	-
Eterbright Solar Corporation	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	19,458,751	8%
	Co-Chairman	Chuo Wenheng	1,308,477	1%
	Director	Representative of Wu Yueqin	171,449,427	74%
	Director	Li Xunqin	2,225,766	1%
	Director	Chuo Xiuyu	808,467	0%
	Director/General Manager	Lin Mingyao	89,437	0%
	Supervisor	Liao Kehuang	66,377	0%
HIWIN Italy	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	Note 1	100%
	General Manager	Yang Chuangbao	-	-
HIWIN Singapore Pte. Ltd.	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	5,000,000	100%
	Director	Chuo Wenheng, You Kaisheng, Chen Yongxiang	-	-
	General Manager	Chen Yongxiang	-	-
HIWIN Corporation, South Korea	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	1,440,000	100%
	Director	Chuo Wenheng, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Chang Yun-Jie	-	-

HIWIN China	Chairman	Representative of HIWIN Technologies Corp.: Chuo Yung-Tsai	Note 1	100%
	Director	Tsai Huey-Chin, You Kaisheng	-	-
	Supervisor	Lin Yifeng	-	-
	General Manager	Peng Yanqi	-	-
Luren Precision	Chairman	Chuo Yung-Tsai	455,606	1%
	Co-Chairman	Chuo Wenheng	361,813	1%
	Director	Representative of HIWIN Technologies Corp.: Song Xiande	21,710,747	71%
	Director	Representative of HIWIN Technologies Corp.: Tsai Huey-Chin		
	Director	Representative of HIWIN Technologies Corp.: Lin Yifeng		
	Director	All Horng Gear Industry Co., LTD.	1,526,250	5%
	Director	Taiwan Gong Ji Chang Co., Ltd.	280,078	1%
	Supervisor	Xu Yujun	243,298	1%
	General Manager	Song Xiande	61,135	0%
HIWIN Healthcare Corp., Samoa	Chairman	Representative of HIWIN Technologies Corp.: Tsai Huey-Chin	100,000	100%
Luren Precision U.S.A.	Chairman	Chen Shirui	460,000	100%
Luren Precision Shanghai	Chairman	Hong Chi-Hsiung	Note 1	100%
Matrix Machine Tool (Coventry) Ltd.	Director	Representative of HIWIN Technologies Corp.: Song Xiande	2,000,000	52%
	Director	Representative of HIWIN Technologies Corp.: Hsue Chih-Chiang		
	Director	Nelson Chiow	-	-
	Director	Paul Farndon	-	-

Note 1: shares unissued.

Note 2: data as of April 30th, 2019

(vi) Business Status of Affiliates

Unit: NTD Thousand

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	1,199,441	611,634	587,807	1,207,344	175,613	127,001	59.13
HIWIN Germany GmbH	224,257	2,731,031	1,037,998	1,693,033	3,557,822	437,019	323,618	Note 1
HIWIN Corporation, Japan	121,676	1,290,374	983,755	306,619	2,241,155	260,992	219,527	4,050.31
Eterbright Solar Corporation	2,311,515	1,522,644	1,283,185	239,459	282,010	(616,473)	(1,070,898)	(4.63)
HIWIN Italy	296,580	851,909	730,722	121,187	1,061,863	54,888	51,947	Note 1
HIWIN Singapore Pte. Ltd.	117,550	97,704	121,209	(23,505)	179,262	(10,833)	(13,844)	(2.77)
HIWIN Corporation, South Korea	202,945	376,131	366,699	9,432	477,425	(40,665)	(44,416)	(30.84)
HIWIN China	1,498,040	3,250,395	1,359,275	1,891,120	2,980,906	348,807	283,651	Note 1
Luren Precision	305,250	1,309,607	1,153,232	156,375	543,875	(249,829)	(230,617)	(7.56)
HIWIN Healthcare Corp., Samoa	3,108	9,157	6,184	2,973	19,729	(40)	(23)	(0.23)
Luren Precision Japan (Note 4)	-	-	-	-	1,852	(2,015)	1,060	Note 4
Luren Precision Chicago Co.,Ltd	14,721	-	-	-	1,482	(6,083)	10,097	21.95
Luren Precision Shanghai	14,047	54,144	67,141	(12,997)	77,256	(3,273)	(3,540)	Note1
Matrix Machine Tool (Coventry) Ltd.	240,480	495,965	189,793	306,172	70,461	5,049	396	0.09

Note 1: shares unissued.

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：	NTD30.715	30.149
1 EUR：	NTD35.20	35.61
1 JPY：	NTD0.2782	0.2730
1 SGD：	NTD22.48	22.35
1 KRW：	NTD0.02775	0.02761
1 CNY：	NTD4.472	4.560
1 GBP：	NTD 38.88	39.84

Note 3: the base date of the financial information of Affiliates' business status is Dec. 31, 2018.
Note 4: Luren Precision Japan has completed liquidation in June, 2018

(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.

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 (the "Corporation") and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 of the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Revenue recognition

The sales of the Group mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Group satisfied the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the consolidated financial statements.

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

1. We understood and tested the design and operating effectiveness of related internal controls over the acceptance of order and shipping procedures; we selected sample sales transactions of distribution channels and verified that the receiving of the order and the timing of the revenue recognition were in accordance with the terms of transaction.

2. We validated the terms of transactions against sales contracts and orders with major distributors to ensure that the terms of transaction and the timing of the revenue recognition are in accordance; we tested the records of sales returns against source documents and we checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and impairment assessment of inventory

As of December 31, 2018, the carrying amount of inventory was $8,933,731 thousand. Such carrying amount of inventory is the lower of cost or net realizable value which is determined subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory is identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the consolidated financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood the related internal control and procedures on the valuation of inventory and assessed that valuation including impairment assessment conforms to the approved procedures.

2. We assessed the reasonableness of provision for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.

3. We tested the net realizable value of sample inventory items against the selling price, and we checked the completeness and accuracy of the information of net realizable value.

4. We compared the actual sales amount of the sample inventory items with the book value to ascertain that the carrying value of the inventory does not exceed the net realizable value.

5. We evaluated the adequacy of provision for obsolete and damaged stock based on 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, 2018 and 2017 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, 2018 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 26, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,787,232	6	$ 2,752,876	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	282	-	548	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 10)	1,032,146	2	792,084	2
Notes receivable from related parties, net (Notes 4, 5 and 29)	1,449	-	2,835	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 10)	5,022,035	10	3,588,337	10
Trade receivables from related parties, net (Notes 4, 5 and 29)	23,845	-	28,527	-
Inventories (Notes 4, 5 and 11)	8,933,731	18	5,394,388	14
Other current assets (Notes 6, 16, 29 and 30)	653,564	2	552,027	2
Total current assets	18,454,284	38	13,111,622	35
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	934,160	2	-	-
Held-to-maturity financial assets - non-current (Note 4)	-	-	2,919	-
Financial assets at amortized cost - non-current (Note 4)	2,803	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	320,464	1
Investments accounted for using the equity method (Notes 4 and 13)	179,532	-	161,910	-
Property, plant and equipment (Notes 4, 14, 29 and 30)	25,226,895	52	21,303,831	57
Goodwill (Note 4)	256,163	1	177,915	1
Deferred tax assets (Notes 4 and 22)	461,625	1	262,196	1
Prepayments for machinery and equipment (Note 15)	2,965,011	6	1,873,978	5
Refundable deposits (Note 4)	79,840	-	59,938	-
Long-term prepayments for lease (Notes 16 and 30)	163,314	-	170,331	-
Other non-current assets (Notes 4 and 10)	169,215	-	128,454	-
Total non-current assets	30,438,558	62	24,461,936	65
TOTAL	$ 48,892,842	100	$ 37,573,558	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 30)	$ 6,194,778	13	$ 4,951,437	13
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	5,775	-	3,038	-
Contract liabilities - current (Note 4)	185,501	-	-	-
Notes payable	12,431	-	8,815	-
Trade payables to unrelated parties	5,410,616	11	4,061,777	11
Trade payables to related parties (Note 29)	179,292	-	241,775	1
Other payables (Notes 18 and 29)	2,889,502	6	1,744,921	5
Current tax liabilities (Notes 4 and 22)	846,332	2	347,338	1
Current portion of long-term borrowings (Notes 17 and 30)	1,799,826	4	1,754,159	5
Other current liabilities (Note 4)	114,846	-	205,479	-
Total current liabilities	17,638,899	36	13,318,739	36
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 30)	6,011,746	12	7,087,273	19
Deferred tax liabilities (Notes 4 and 22)	456,389	1	238,446	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	310,863	1	319,857	1
Other non-current liabilities (Note 29)	36,545	-	9,394	-
Total non-current liabilities	6,815,543	14	7,654,970	20
Total liabilities	24,454,442	50	20,973,709	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	3,005,620	6	2,801,573	7
Capital surplus	3,236,274	6	308,630	1
Retained earnings				
Legal reserve	2,166,826	4	1,893,024	5
Special reserve	250,940	1	265,533	1
Unappropriated earnings	15,145,659	31	11,275,276	30
Other equity	375,140	1	(250,940)	(1)
Total equity attributable to owners of the Corporation	24,180,459	49	16,293,096	43
NON-CONTROLLING INTERESTS	257,941	1	306,753	1
Total equity	24,438,400	50	16,599,849	44
TOTAL	$ 48,892,842	100	$ 37,573,558	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 29)	$ 29,333,129	100	$ 21,164,764	100
COST OF GOODS SOLD (Notes 11, 21 and 29)	17,703,549	60	13,582,126	64
GROSS PROFIT	11,629,580	40	7,582,638	36
OPERATING EXPENSES (Notes 21 and 29)				
Selling and marketing expenses	1,815,214	6	1,530,831	7
General and administrative expenses	2,009,174	7	1,515,397	7
Research and development expenses	1,385,997	5	1,191,309	6
Total operating expenses	5,210,385	18	4,237,537	20
PROFIT FROM OPERATIONS	6,419,195	22	3,345,101	16
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	73,623	-	84,941	-
Finance costs (Notes 4 and 21)	(146,985)	-	(131,357)	(1)
Share of profit of associates accounted for using equity method (Notes 4 and 13)	29,611	-	23,399	-
Interest income (Note 4)	53,757	-	37,898	-
Other income (Note 29)	108,458	-	80,378	-
Net foreign exchange gain (Notes 4 and 32)	39,496	-	28,830	-
Other expenses	(39,438)	-	(41,005)	-
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	(17,757)	-	(67,577)	-
Impairment loss (Notes 4 and 14)	(424,000)	(1)	(548,473)	(2)
Total non-operating income and expenses	(323,235)	(1)	(532,966)	(3)
PROFIT BEFORE INCOME TAX	6,095,960	21	2,812,135	13
INCOME TAX EXPENSE (Notes 4 and 22)	1,205,537	4	560,615	3
NET PROFIT FOR THE YEAR	4,890,423	17	2,251,520	10

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note19)	$ (12,610)	-	$ (53,292)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	519,283	1	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	5,403	-	8,357	-
	512,076	1	(44,935)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(45,889)	-	17,610	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	17,517	-	(2,978)	-
	(28,372)	-	14,632	-
Other comprehensive loss for the year, net of income tax	483,704	1	(30,303)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,374,127	18	$ 2,221,217	10
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,392,257	19	$ 2,738,019	13
Non-controlling interests	(501,834)	(2)	(486,499)	(2)
	$ 4,890,423	17	$ 2,251,520	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,878,542	20	$ 2,709,808	13
Non-controlling interests	(504,415)	(2)	(488,591)	(3)
	$ 5,374,127	18	$ 2,221,217	10
EARNINGS PER SHARE (Note 23)				
Basic	$ 18.44		$ 9.49	
Diluted	$ 18.29		$ 9.46	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 20)										
		Capital Surplus		Retained Earnings			Other Equity				
	Common Stock	Additional Paid-in Capital	Employee Stock Option	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) Financial Assets at Fair Value Through Other Comprehensive	Total	Non-controlling Interests (Notes 12 and 25)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,746,640	$ 308,630	$ -	$ 1,760,342	$ 91,624	$ 9,459,908	$ (265,533)	$ -	$ 14,101,611	$ 698,307	$ 14,799,918
Appropriation of 2016 earnings											
Legal reserve	-	-	-	132,682	-	(132,682)	-	-	-	-	-
Special reserve	-	-	-	-	173,909	(173,909)	-	-	-	-	-
Cash dividends - NT$1.6 per share	-	-	-	-	-	(439,462)	-	-	(439,462)	-	(439,462)
Share dividends - NT$0.2 per share	54,933	-	-	-	-	(54,933)	-	-	-	-	-
	54,933	-	-	132,682	173,909	(800,986)	-	-	(439,462)	-	(439,462)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(78,868)	7	-	(78,861)	78,861	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	18,176	18,176
Net profit for the year ended December 31, 2017	-	-	-	-	-	2,738,019	-	-	2,738,019	(486,499)	2,251,520
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(42,797)	14,586	-	(28,211)	(2,092)	(30,303)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	2,695,222	14,586	-	2,709,808	(488,591)	2,221,217
BALANCE AT DECEMBER 31, 2017	2,801,573	308,630	-	1,893,024	265,533	11,275,276	(250,940)	-	16,293,096	306,753	16,599,849
Effect of retrospective application	-	-	-	-	-	33,915	-	139,447	173,362	-	173,362
BALANCE AT JANUARY 1, 2018, AS RESTATED	2,801,573	308,630	-	1,893,024	265,533	11,309,191	(250,940)	139,447	16,466,458	306,753	16,773,211
Appropriation of 2017 earnings											
Legal reserve	-	-	-	273,802	-	(273,802)	-	-	-	-	-
Special reserve	-	-	-	-	(14,593)	14,593	-	-	-	-	-
Cash dividends - NT$3.5 per share	-	-	-	-	-	(980,551)	-	-	(980,551)	-	(980,551)
Share dividends - NT$0.3 per share	84,047	-	-	-	-	(84,047)	-	-	-	-	-
	84,047	-	-	273,802	(14,593)	(1,323,807)	-	-	(980,551)	-	(980,551)
Issuance of ordinary shares for cash	120,000	2,922,204	5,440	-	-	-	-	-	3,047,644	-	3,047,644
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(231,634)	-	-	(231,634)	231,634	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	223,969	223,969
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	8,396	-	(8,396)	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	5,392,257	-	-	5,392,257	(501,834)	4,890,423
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(8,744)	(24,254)	519,283	486,285	(2,581)	483,704
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	5,383,513	(24,254)	519,283	5,878,542	(504,415)	5,374,127
BALANCE AT DECEMBER 31, 2018	$ 3,005,620	$ 3,230,834	$ 5,440	$ 2,166,826	$ 250,940	$ 15,145,659	$ (275,194)	$ 650,334	$ 24,180,459	$ 257,941	$ 24,438,400

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,095,960	$ 2,812,135
Adjustments for :		
Depreciation expenses	1,764,557	1,581,949
Amortization expenses	52,852	31,628
Reversal of impairment loss on receivables	-	(53,096)
Expected credit loss recognized on receivables	15,749	-
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	5,493	2,490
Finance costs	146,985	131,357
Interest income	(53,757)	(37,898)
Compensation costs of employee share options	52,644	-
Share of profit or loss of associates accounted for using equity method	(29,611)	(23,399)
Loss on disposal of property, plant and equipment	11,777	2,784
Impairment loss recognized on financial assets	-	34,000
Impairment loss recognized on non-financial assets	542,734	406,458
Dividend income	(26,193)	(3,300)
Unrealized foreign currency exchange loss, net	(37,732)	(29,599)
Other	116	114
Changes in operating assets and liabilities		
Financial instruments held for trading	-	4,265
Financial assets mandatorily classified as at fair value through profit or loss	(2,490)	-
Notes receivable	(242,041)	(225,674)
Trade receivables	(1,394,898)	486,022
Inventories	(3,430,873)	(695,402)
Other current assets	(77,579)	(123,420)
Contract liabilities	67,791	-
Notes payable	3,616	(2,096)
Trade payables	1,253,238	2,046,559
Other payables	1,145,181	552,078
Other current liabilities	26,526	16,924
Net defined benefit liabilities	(21,604)	(8,822)
Cash generated from operations	5,868,441	6,906,057
Interest received	55,717	27,309
Dividend received	26,193	3,300
Interest paid	(145,969)	(131,171)
Income taxes paid	(654,527)	(239,523)
Net cash generated from operating activities	5,149,855	6,565,972

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition financial assets at fair value through other comprehensive income	$ (32,334)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	14,750	-
Return of capital from financial assets at fair value through other comprehensive income	96,533	-
Net cash outflow on acquisition of subsidiaries (Note 24)	(218,850)	-
Payments for property, plant and equipment	(3,882,160)	(3,555,837)
Proceeds from disposal of property, plant and equipment	21,800	4,475
Decrease (increase) in refundable deposits	(19,016)	10,600
Decrease in other financial assets	10,883	68,567
Increase in other non-current assets	(93,696)	(68,861)
Increase in prepayments for machinery and equipment	(3,326,344)	(1,785,874)
Increase in prepayments for lease	-	(89,502)
Dividend received from associates	5,123	3,961
Net cash used in investing activities	(7,423,311)	(5,412,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,240,039	232,065
Proceeds from long-term borrowings	1,760,924	1,830,647
Repayments of long-term borrowings	(2,783,349)	(2,139,872)
Increase in guarantee deposit received	8,576	-
Increase in other non-current liabilities	-	928
Dividends paid	(980,551)	(439,462)
Proceeds from issuance of ordinary shares	2,995,000	-
Acquisition of additional shares of subsidiary	-	(8,156)
Changes in non-controlling interests	71,921	26,332
Net cash generated from (used in) financing activities	2,312,560	(497,518)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(4,748)	(5,005)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,356	650,978
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,752,876	2,101,898
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,787,232	$ 2,752,876

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, computer numerical control (CNC) milling machines and medical equipment.

The Corporation was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public corporation on April 16, 1997. The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) 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 26, 2019.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the "Group"):

1) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$2,752,876	$2,752,876	(a)
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (FVTPL)	548	548	-
Notes receivable (including related parties), trade receivables (including related parties) and refundable deposits	Loans and receivables	Amortized cost	4,471,721	4,471,721	(a)
Debt securities	Held-to-maturity	Amortized cost	2,919	2,919	(b)
Equity securities	Financial assets measured at cost	Fair value through other comprehensive income - equity instruments (FVTOCI)	320,464	493,826	(c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 548	$ -	$ -	$ 548	$ -	$ -	
FVTOCI	-	-	-	-	-	-	
Remeasurement of financial assets at cost (IAS 39)	-	320,464	173,362	493,826	33,915	139,447	(c)
	-	320,464	173,362	493,826	33,915	139,447	
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	7,224,597	-	7,224,597	-	-	(a)
Add: Reclassification from held-to-maturity (IAS 39)	-	2,919	-	2,919	-	-	(b)
	-	7,227,516	-	7,227,516	-	-	
	$ 548	$7,547,980	$ 173,362	$7,721,890	$ 33,915	$ 139,447	

a) Cash and cash equivalents, notes receivable (including related parties), trade receivables (including related parties) and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Investments in unlisted shares previously measured at cost under IAS 39 have been classified at designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $173,362 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $33,915 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $33,915 thousand in retained earnings on January 1, 2018.

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in determining whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases-current	$ 3,547	$ (3,547)	$ -
Prepayments for leases-non-current	163,314	(163,314)	-

Right-of-use assets	-	918,407	918,407
Total effect on assets	$ 166,861	$ 751,546	$ 918,407
Lease liabilities - current	$ -	$ 116,056	$ 116,056
Lease liabilities - non-current	-	635,490	635,490
Total effect on liabilities	$ -	$ 751,546	$ 751,546
Retained earnings	$ -	$ -	$ -
Total effect on equity	$ -	$ -	$ -

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have significantly effect on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 and issued into effect by the FSC.

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and 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 an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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 Company and the entities controlled by the Company (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 dates of acquisitions up to the effective dates of disposals, 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 Company.

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 interests of the Group 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 Company.

See Note 12, tables 9 and 10 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. 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 translated using the exchange rate at the date of transaction.

For the purpose 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.

g. Inventories

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

h. Investment in associates

An associate is an entity over which the Group has significant influence and which 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 is 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 an 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 capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its 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 had the investee 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 using 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 using 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 an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is nor allocated to any asset; including goodwill, that form part of carrying amount of the investment. 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 the investment's 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 had that associate 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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant, and equipment

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

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

Depreciation of property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such 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 the estimates accounted for on a prospective basis.

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

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

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

k. 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Expenditures on research activities are recognized as expenses in the period in which they are 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 expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets 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.

l. 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 any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial asset.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss earned on such a financial asset. The fair value is determined in the manner described in Note 28.

ii. Held-to-maturity investments

Domestic bonds, which the Group has a 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 FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating 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 such investments are disposed of or are 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 measured 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 of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

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

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

b) Impairment of financial assets

<u>2018</u>

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as notes receivables, trade receivables and held-to-maturity investments, 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 with 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 defaults on receivables.

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

For a financial asset 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 on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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 becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial assets measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are 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 uncollectible trade 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.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are 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. The fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

n. 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 to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate of the expenditure required to settle the Group's obligation.

o. Revenue recognition

<u>2018</u>

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer acquisition of control. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the customer acquisition control of the good.

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

2017

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 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 a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that 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 applicable effective interest rate applicable.

p. Leasing

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

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 expenses on a straight-line basis over the lease term.

q. 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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. 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.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

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

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

u. 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 2,091	$ 2,049
Checking accounts and demand deposits	2,512,010	1,767,744
Pledged time deposits	2,000	12,883
Cash equivalents		
Time deposits	273,131	983,083
	2,789,232	2,765,759
Less: Pledged time deposits		
Current (classified as other current assets)	(2,000)	(12,883)
	$ 2,787,232	$ 2,752,876
Rate of interest per annum (%)		
Cash in bank	0.00-1.76	0.00-2.75
Pledged time deposits	1.07	0.05-1.04

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets and liabilities at FVTPL were derivative financial instruments of foreign exchange forward contracts under IAS 39. They have been classified as mandatorily measured at FVTPL under IFRS 9. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount
December 31, 2018			
Sell	EUR/NTD	2019.2.1-2019.3.22	EUR2,100/NTD73,964
Sell	CNY/NTD	2019.1.28-2019.4.16	CNY165,000/NTD728,028
December 31, 2017			
Sell	EUR/NTD	2018.1.9-2018.2.21	EUR2,600/NTD92,486
Sell	CNY/NTD	2018.1.26-2018.2.26	CNY120,000/NTD540,734

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 AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME NON - CURRENT - 2018

Investments in equity instruments at FVTOCI	December 31, 2018
Domestic listed ordinary shares in emerging market	
HIWIN Mikrosystem Corp. (HIWIN Mikrosystem)	$ 719,894
Domestic unlisted ordinary shares	
Taichung International Country Club	2,620
Sunengine Corporation Ltd. (Sunengine)	-
King Kong Iron Work Ltd.	-
Overseas unlisted ordinary shares	
Kaland Holdings Corp. (Kaland)	208,326
HIWIN (Schweiz) GmbH	3,320
	$ 934,160

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 investments in Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as financial assets measured at cost under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

In October 2018, the Group sold its shares in HIWIN Mikrosystem with a fair value of $14,750 thousand and, the Group transferred the unrealized gain of $8,396 thousand from other equity to retained earnings.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

Investee	December 31, 2017
Domestic unlisted ordinary shares	
HIWIN Mikrosystem	$ 63,440
Sunengine	15,338
Taichung International Country Club	2,100
King Kong Iron Work Ltd.	-
	80,878
Overseas unlisted ordinary shares	
Kaland	236,266
HIWIN (Schweiz) GmbH	3,320
	$ 320,464

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.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31 2018	December 31 2017
Notes receivable from unrelated parties		
At amortized cost		
Gross carrying amount	$ 1,034,168	$ 798,833
Less: Allowance for impairment loss	(2,022)	(6,749)
	$ 1,032,146	$ 792,084
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 5,040,320	$ 3,606,959
Less: Allowance for impairment loss	(18,285)	(18,622)
	$ 5,022,035	$ 3,588,337

a. Notes receivable

The aging of notes receivable for the Group was as follows:

	December 31	
	2018	2017
Not past due	$ 1,034,168	$ 798,833
Past due	-	-
	$ 1,034,168	$ 798,833

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

b. Trade receivables

For the year ended December 31, 2018

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

In order to minimize credit risk, the 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 allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables.

December 31, 2018

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	$ 4,469,106	$ 541,941	$ 15,727	$ 13,546	$ 5,040,320
Loss allowance (Lifetime ECL)	(3,986)	(3,387)	(3,268)	(7,644)	(18,285)
Amortized cost	$ 4,465,120	$ 538,554	$ 12,459	$ 5,902	$ 5,022,035

The movements of the loss allowance were as follows (other receivables are classified as other non-current assets):

	For the Year Ended December 31, 2018		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2018 per IAS 39	$ 6,749	$ 18,622	$ 13,697
Adjustment on initial application of IFRS 9	-	-	-
Balance at January 1, 2018 per IFRS 9	6,749	18,622	13,697
Net remeasurement of loss allowance	(4,723)	20,472	-
Amounts written off	-	(21,628)	-
Foreign exchange translation gains and losses	(4)	819	-
Balance at December 31, 2018	$ 2,022	$ 18,285	$ 13,697

For the year ended December 31, 2017

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:

	December 31, 2017
Not past due	$ 3,416,345
1-30 days	135,418
31- 60 days	13,677
61-120 days	4,952
121-180 days	17,419
More than 180 days	19,148
	$ 3,606,959

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

The movements of the loss allowance were as follows (other receivables are classified as other non-current assets):

	For the Year Ended December 31, 2017		
	Notes Receivable	**Trade Receivables**	**Other Receivables**
Balance at January 1, 2017	$ 5,073	$ 88,656	$ 13,697
Impairment loss recognized (reversed) on receivables	1,721	(54,817)	-
Amounts written off	-	(11,553)	-
Foreign exchange translation gains and losses	(45)	(3,664)	-
Balance at December 31, 2017	$ 6,749	$ 18,622	$ 13,697

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:

	December 31, 2017
1-30 days	$ 4,237
31-60 days	664
	$ 4,901

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

	December 31, 2017
1-30 days	$ 131,181
31-60 days	13,013
61-120 days	4,952
121-180 days	17,419
More than 180 days	19,148
	$ 185,713

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

11. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 3,427	$ 16,135
Finished goods	2,844,562	1,648,349
Work in process	2,084,429	1,536,234
Raw materials and supplies	3,614,625	1,876,093
Inventory in transit	386,688	317,577
	$ 8,933,731	$ 5,394,388

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $17,703,549 thousand and $13,582,126 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs (reversal of inventory write-downs) of $118,734 thousand and $(108,015) thousand, and unallocated fixed overhead of $244,814 thousand and $185,720 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership	
			December 31	
Investor	Investee	Main Business	2018	2017
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
	Eterbright Solar Corporation (“Eterbright”)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	74	65
	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	58	48
	HIWIN Healthcare Corp.	Sale of medical robot	100	100
	HIWIN S.R.L. (“HIWIN Italy”)	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	94
	Matrix Machine Tool (Coventry) Limited (Matrix)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	52	-
HIWIN Germany	HIWIN Italy	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	-	6
Luren	Luren Precision (Japan) Inc. (“Luren Japan”)	Sale of gear cutting tools and machinery	-	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 USA are not major subsidiaries; its financial statements have not been audited. The management believes that an audit of the financial statements of Luren USA would not result in significant impact on the Group’s consolidated financial statements.

The Corporation proceeds 6% of HIWIN Italy’s shares which were owned by HIWIN Germany with the amount of $228,540 thousand by return of capital from HIWIN Germany.

Luren Precision (Japan) Inc. has been liquidated in June 2018.

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	
	2018	2017
Eterbright	26%	35%
Luren	42%	52%
Matrix	48%	-

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	
	2018	2017	2018	2017
Eterbright	$(378,881)	$(448,380)	$ 61,852	$ 215,944
Luren	(107,130)	(40,211)	62,444	90,809
Matrix	(18,404)	-	133,645	-
	$(504,415)	$(488,591)	$ 257,941	$ 306,753

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	
	2018	2017
Current assets	$ 329,932	$ 352,284
Non-current assets	1,192,712	1,734,994
Current liabilities	(1,195,102)	(1,330,749)
Non-current liabilities	(88,083)	(146,172)
Equity	$ 239,459	$ 610,357
Equity attributable to:		
Owners of Eterbright	$ 177,607	$ 394,413
Non-controlling interests of Eterbright	61,852	215,944
	$ 239,459	$ 610,357

	For the Year Ended December 31	
	2018	2017
Revenue	$ 282,010	$ 266,298
Net loss for the year	$(1,070,898)	$(1,241,729)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	$(1,070,898)	$(1,241,729)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	$ (692,017)	$ (793,349)
Non-controlling interests of Eterbright	(378,881)	(448,380)
	$(1,070,898)	$(1,241,729)
Net cash inflow (outflow) from:		
Operating activities	$ (503,544)	$ (374,553)
Investing activities	(94,065)	(236,318)
Financing activities	558,409	691,484
Net cash inflow (outflow)	$ (39,200)	$ 80,613

Luren and Luren's subsidiaries

	December 31	
	2018	2017
Current assets	$ 718,689	$ 713,428
Non-current assets	593,238	526,087
Current liabilities	(810,474)	(718,688)
Non-current liabilities	(345,078)	(338,252)
Equity	$ 156,375	$ 182,575
Equity attributable to:		
Owners of Luren	$ 90,400	$ 88,092
Non-controlling interests of Luren	65,975	94,483
	$ 156,375	$ 182,575

	For the Year Ended December 31	
	2018	2017
Revenue	$ 550,151	$ 686,929
Net loss for the year	$ (230,617)	$ (70,310)
Other comprehensive income (loss) for the year	4,417	(4,043)
Total comprehensive loss for the year	$ (226,200)	$ (74,353)
Loss attributable to:		
Owners of Luren	$ (121,448)	$ (33,531)
Non-controlling interests of Luren	(109,169)	(36,779)
	$ (230,617)	$ (70,310)
Total comprehensive loss attributable to:		
Owners of Luren	$ (118,927)	$ (35,482)
Non-controlling interests of Luren	(107,273)	(38,871)
	$ (226,200)	$ (74,353)
Net cash inflow (outflow) from:		
Operating activities	$ (106,063)	$ (108,879)
Investing activities	(93,538)	(230,542)
Financing activities	208,038	296,534
Net cash inflow (outflow)	$ 8,437	$ (42,887)

Matrix

	December 31, 2018
Current assets	$ 317,668
Non-current assets	178,297
Current liabilities	(65,779)
Non-current liabilities	(124,014)
Equity	$ 306,172
Equity attributable to:	
Owners of Matrix	$ 158,409
Non-controlling interests of Matrix	147,763
	$ 306,172

	For the Six Months Ended December 31, 2018
Revenue	$ 70,461
Net income for the period	$ 396
Other comprehensive loss for the period	(8,504)
Total comprehensive loss for the period	$ (8,108)
Loss attributable to:	
Owners of Matrix	$ 204
Non-controlling interests of Matrix	192
	$ 396
Total comprehensive loss attributable to:	
Owners of Matrix	$ (3,822)
Non-controlling interests of Matrix	(4,286)
	$ (8,108)
Net cash inflow (outflow) from:	
Operating activities	$ 120,693
Investing activities	(105,257)
Financing activities	108,484
Net cash inflow	$ 123,920

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Associates that are not individually materials	$ 179,532	$ 161,910

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Profit for the year	$ 29,611	$ 23,399
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	$ 29,611	$ 23,399

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.

14. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018						
	Beginning Balance	Acquisitions through Business Combinations	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost							
Land	$ 3,920,528	$ 64,336	$ 4,371	$ -	$ -	$ 891	$ 3,990,126
Buildings and improvements	7,537,359	113,165	146,450	(1,174)	2,223,696	(21,510)	9,997,986
Machinery and equipment	12,164,422	28,251	1,061,323	(628,851)	2,056,255	(2,586)	14,678,814
Transportation equipment	162,989	-	45,002	(9,369)	(3,082)	(1,055)	194,485
Leased assets	2,203	4,607	-	-	-	(8)	6,802
Leasehold improvements	105,614	-	7,782	(3,635)	-	680	110,441
Miscellaneous equipment	1,930,596	10,744	268,252	(59,834)	195,240	442	2,345,440
Construction in progress	3,525,700	-	2,323,421	-	(2,236,387)	(2,125)	3,610,609
Prepayments for land	-	-	23,112	-	-	-	23,112
	29,349,411	$ 221,103	$ 3,879,713	$ (702,863)	$ 2,235,722	$ (25,271)	34,957,815
Accumulated depreciation and impairment							
	1,290,229	$ -	$ 237,970	$ (1,174)	$ -	$ (1,306)	1,525,719
Buildings and improvements	5,553,545	26,850	1,626,238	(607,387)	-	(415)	6,598,831
Machinery and equipment	79,561	-	26,763	(7,312)	(1,753)	(488)	96,771
Transportation equipment	2,203	3,668	266	-	-	12	6,149
Leased assets	53,266	-	42,133	(2,331)	-	712	93,780
Leasehold improvements	1,066,776	8,980	382,540	(51,082)	1,753	703	1,409,670
Miscellaneous equipment	8,045,580	$ 39,498	$ 2,315,910	$ 669,286	$ -	$ (782)	9,730,920
	$21,303,831						$25,226,895

	For the Year Ended December 31, 2017					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	$ 3,862,080	$ 639	$ -	$ 63,858	$ (6,049)	$ 3,920,528
Buildings and improvements	6,730,210	40,349	(373)	741,520	25,653	7,537,359
Machinery and equipment	10,889,205	406,130	(1,060,505)	1,918,495	11,097	12,164,422
Transportation equipment	141,078	29,159	(17,591)	6,142	4,201	162,989
Leased assets	3,223	-	(911)	-	(109)	2,203
Leasehold improvements	113,837	11,784	(37,911)	18,864	(960)	105,614
Miscellaneous equipment	1,569,673	147,043	(80,556)	293,246	1,190	1,930,596
Construction in progress	1,462,767	2,815,550	-	(742,785)	(9,832)	3,525,700
Prepayments for land	63,858	-	-	(63,858)	-	-
	24,835,931	$ 3,450,654	$(1,197,847)	$ 2,235,482	$ 25,191	29,349,411
Accumulated depreciation and impairment						
Buildings and improvements	1,113,534	$ 172,090	$ (223)	$ -	$ 4,828	1,290,229
Machinery and equipment	5,052,136	1,556,035	(1,055,296)	(1,639)	2,309	5,553,545
Transportation equipment	69,428	26,647	(16,271)	(2,039)	1,796	79,561
Leased assets	39	-	(911)	3,135	(60)	2,203
Leasehold improvements	62,602	26,929	(37,814)	2,614	(1,065)	53,266
Miscellaneous equipment	742,163	404,623	(80,073)	487	(424)	1,066,776
	7,039,902	$ 2,186,324	$(1,190,588)	$ 2,558	$ 7,384	8,045,580
	$17,796,029					$21,303,831

As a result of the declining selling price of the products of Eterbright due to strong competition, the estimated future cash flows expected from the related equipment decreased. Eterbright carried out a review of the recoverable amount of that related equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of $424,000 thousand and $500,000 thousand, respectively, which was recognized as impairment loss in the year ended December 31, 2018 and 2017. Eterbright determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used in measuring the value in use was 6.96% and 6.78% per annum, respectively.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and improvements	
Main buildings	20-55 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
Leased assets	5 years
Leasehold improvements	3-15 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment was as follows:

	December 31	
The Date of Initial Cost Contribution	**2018**	**2017**
Within 1 year	$ 1,803,689	$ 1,177,543
1-2 years	872,359	361,833
2-5 years	273,966	294,577
More than 5 years	14,997	40,025
	$ 2,965,011	$ 1,873,978

In order to achieve expertise and mastery in the key manufacturing technology, reduce product costs and improve the autonomy of equipment, the Group designs, develops, and assembles equipment by itself. The prepayments for machinery and equipment include both internally-developed and outsourced equipment.

16. PREPAYMENTS FOR LEASE

	December 31	
	2018	**2017**
Current (classified as other current asset)	$ 3,547	$ 3,621
Non-current	163,314	170,331
	$ 166,861	$ 173,952

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.
Prepayments for lease pledged as collateral for bank borrowings were set out in Note 30.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 30)		
Working capital loans	$ 1,575,944	$ 1,414,018
Loans for export sales	820,500	1,037,540
Loans for purchasing raw material	48,334	10,052
Usance letters of credit	-	85,308
	2,444,778	2,546,918
Unsecured borrowings		
Line of credit borrowings	3,750,000	2,404,519
	$ 6,194,778	$ 4,951,437
Rate of interest per annum (%)		
Working capital loans	0.88-4.10	1.43-2.89
Loans for export sales	0.80-1.56	0.80-1.93
Loans for purchasing raw material	1.06-1.50	1.76
Usance letters of credit	-	0.84-1.93
Line of credit borrowings	0.82-0.98	0.85-1.81

b. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 30)		
Secured loans	$ 7,754,076	$ 8,255,932
Unsecured borrowings		
Unsecured loans	57,496	585,500
	7,811,572	8,841,432
Less: Current portion	(1,799,826)	(1,754,159)
Long-term borrowings	$ 6,011,746	$ 7,087,273
Rate of interest per annum (%)		
Secured loans	1.02-4.90	1.02-4.90
Unsecured loans	1.50-2.10	1.14-2.10

18. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries and bonuses	$ 1,182,992	$ 720,282
Payables for compensation to employees	514,662	245,035
Payables for remuneration to directors	246,182	115,536
Payables for annual leave	179,312	146,897
Payables for purchases of building and equipment	63,850	66,297
Others	702,504	450,874
	$ 2,889,502	$ 1,744,921

19. 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, Matrix 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 plans adopted by the Corporation and Luren of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation 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:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 447,382	$ 456,443
Fair value of plan assets	(136,519)	(136,586)
Net defined benefit liabilities	$ 310,863	$ 319,857

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 403,760	$ (128,373)	$ 275,387
Service cost			
Current service cost	4,647	-	4,647
Net interest expense (income)	6,238	(2,026)	4,212
Recognized in profit or loss	10,885	(2,026)	8,859
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	460	460
Actuarial loss - changes in demographic assumptions	599	-	599
Actuarial loss - changes in financial assumptions	17,569	-	17,569
Actuarial loss - experience adjustments	34,664	-	34,664
Recognized in other comprehensive income	52,832	460	53,292
Contributions from the employer	-	(17,541)	(17,541)
Benefits paid	(11,034)	10,894	(140)
Balance at December 31, 2017	456,443	(136,586)	319,857
Service cost			
Current service cost	4,587	-	4,587
Net interest expense (income)	5,667	(1,706)	3,961
Recognized in profit or loss	10,254	(1,706)	8,548
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,698)	(3,698)
Actuarial profit - changes in demographic assumptions	(3,492)	-	(3,492)
Actuarial loss - changes in financial assumptions	13,129	-	13,129
Actuarial loss - experience adjustments	6,671	-	6,671
Recognized in other comprehensive income	16,308	(3,698)	12,610

Contributions from the employer	-	(22,368)	(22,368)
Benefits paid	(35,623)	27,839	(7,784)
Balance at December 31, 2018	$ 447,382	$ (136,519)	$ 310,863

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 plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rates	1.00%	1.25%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%
Turnover rate	1.14%, 0.44%	1.22%

If possible reasonable changes 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

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (10,234)	$ (10,549)
0.25% decrease	$ 10,651	$ 10,987
Expected rate of salary increase		
0.25% increase	$ 10,518	$ 10,877
0.25% decrease	$ (10,610)	$ (10,499)
Turnover rate		
10% increase	$ (556)	$ (752)
10% decrease	$ 559	$ 757

Luren

	December 31, 2018
Discount rate	
0.25% increase	$ (2,164)
0.25% decrease	$ 2,259
Expected rate of salary increase	
0.25% increase	$ 2,209
0.25% decrease	$ (2,128)
Turnover rate	
10% increase	$ (15)
10% decrease	$ 15

	December 31, 2017
Discount rate	
0.50% increase	$ (6,468)
0.50% decrease	$ 7,140
Expected rate of salary increase	
0.50% increase	$ 6,977
0.50% decrease	$ (6,393)

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.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 11,925	$ 12,197
The average duration of the defined benefit obligation	11 years, 12 years	11.1 years, 15 years

20. EQUITY

a. Ordinary share

	December 31	
	2018	2017
Number of shares authorized (in thousands)	500,000	300,000
Shares authorized	$ 5,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	300,562	280,157
Shares issued	$ 3,005,620	$ 2,801,573

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

On May 10, 2018, the Corporation's board of directors resolved to issue 12,000 thousand ordinary shares, with a par value of NT$10, for a consideration of NT$250 per share. On June 28, 2018, the above transaction was approved by the FSC, and the subscription base date was determined as at September 5, 2018 by the board of directors.

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 to once a year).

Capital surplus arising from expired employee share option (issuance of ordinary shares for cash) is used to offset a deficit only.

c. Retained earnings and dividends policy

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 the distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after the amendment, refer to c. Employees' compensation and remuneration of directors in Note 21-c.

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.

The appropriations of earnings for 2017 and 2016 which have been approved in the shareholders' meetings on June 27, 2018 and June 28, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 273,802	$ 132,682		
Appropriation (reversal) special reserve	(14,593)	173,909		
Cash dividends	980,551	439,462	$ 3.5	$ 1.6
Share dividends	84,047	54,933	0.3	0.2

The appropriation of earnings for 2018 had been proposed by the Corporation's board of directors on March 26, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 539,226	
Reversal special reserve	(250,940)	
Cash dividends	2,103,934	$ 7.0
Share dividends	90,169	0.3

The appropriation of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 28, 2019.

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Information about capitalized interest

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 55,947	$ 42,723
Capitalization rates	1.38%-4.90%	0.86%-4.90%

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2018			
Short-term employee benefits	$ 4,663,793	$ 2,553,123	$ 7,216,916
Post-employment benefits			
Defined contribution plans	140,245	93,028	233,273
Defined benefit plans	6,823	1,725	8,548
Other employee benefits	238,453	133,126	371,579
Depreciation expenses	1,475,461	289,096	1,764,557
Amortization expenses	15,110	37,742	52,852
For the Year Ended December 31, 2017			
Short-term employee benefits	3,396,301	1,882,741	5,279,042
Post-employment benefits			
Defined contribution plans	101,290	68,243	169,533
Defined benefit plans	7,019	1,840	8,859
Other employee benefits	139,837	58,980	198,817
Depreciation expenses	1,336,759	245,190	1,581,949
Amortization expenses	8,529	23,099	31,628

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Corporation's board of directors on March 26, 2019 and March 22, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
Cash	**Accrual rate**	**Amount**	**Accrual rate**	**Amount**
Employees' compensation	7.0%	$ 492,363	6.6%	$ 231,072
Remuneration of directors	3.5%	246,182	3.3%	115,536

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 paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. TAXES

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

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 957,582	$ 446,254
Income tax of unappropriated earnings	137,142	52,549
Adjustments for prior years	69,379	7,914
Deferred tax		
In respect of the current year	37,546	53,898
Adjustments to deferred tax attributable to changes in tax rates and laws	3,888	-
Income tax expense recognized in profit or loss	$ 1,205,537	$ 560,615

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 1,700,554	$ 656,471
Non-deductible expenses in determining taxable income	1,490	258
Tax-exempt income	(262,407)	(141,894)
Others	(1,083)	3,461
Income tax on unappropriated earnings	137,142	52,549
Investment tax credits used	(370,877)	(74,316)
Loss carryforwards used	(154,157)	-
Current tax	1,050,662	496,529
Unrecognized deductible temporary differences and loss carryforwards	81,608	56,172
Adjustments to deferred tax attributable to changes in tax rates and laws	3,888	-
Adjustments for prior years' tax	69,379	7,914
Income tax expense recognized in profit or loss	$ 1,205,537	$ 560,615

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. 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 the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ (11,232)	$ -
In respect of the current year:		
Translation of foreign operations	(8,437)	2,978
Remeasurement of defined benefit plans	(3,251)	(8,357)
	$ (22,920)	$ (5,379)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 101,499	$ 134,080	$ -	$ 235,579
Doubtful debts	3,096	(2,759)	-	337
Allowance for inventory devaluation	38,852	23,635	-	62,487
Payable for annual leave	18,178	6,215	-	24,393
Defined benefit obligation	21,609	(180)	5,403	26,832
Impairment loss on financial assets	8,226	(1,204)	-	7,022
Provisions	5,335	2,328	-	7,663
FVTPL financial liabilities	423	5,487	-	5,910
Exchange difference on foreign operations	51,457	-	17,517	68,974
Deferred expenses	3,512	4,013	-	7,525
Unrealized foreign currency exchange loss	90	(67)	-	23
Others	9,919	4,961	-	14,880
	$ 262,196	$ 176,509	$ 22,920	$ 461,625
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 201,265	$ 211,222	$ -	$ 412,487
Unrealized foreign currency exchange gain	5,344	3,422	-	8,766
Depreciation expenses	7,738	(4,083)	-	3,655
Intangible assets	6,529	(866)	-	5,663
Others	17,570	8,248	-	25,818
	$ 238,446	$ 217,943	$ -	$ 456,389

	For the Year Ended December 31, 2017			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 69,241	$ 32,258	$ -	$ 101,499
Doubtful debts	8,892	(5,796)	-	3,096
Allowance for inventory devaluation	44,052	(5,200)	-	38,852
Payable for annual leave	12,416	5,762	-	18,178
Defined benefit obligation	14,010	(758)	8,357	21,609
Impairment loss on financial assets	2,158	6,068	-	8,226
Provisions	5,112	223	-	5,335
FVTPL financial liabilities	-	423	-	423
Exchange difference on foreign operations	54,435	-	(2,978)	51,457
Deferred expenses	16,649	(13,137)	-	3,512
Unrealized foreign currency exchange loss	13,426	(13,336)	-	90
Others	6,773	3,146	-	9,919
	$ 247,164	$ 9,653	$ 5,379	$ 262,196
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 145,834	$ 55,431	$ -	$ 201,265
Unrealized foreign currency exchange gain	132	5,212	-	5,344
Depreciation expenses	-	7,738	-	7,738
Intangible assets	6,904	(375)	-	6,529
Others	22,025	(4,455)	-	17,570
	$ 174,895	$ 63,551	$ -	$ 238,446

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Investment loss	$ 1,497,120	$ 773,260
Deductible temporary difference	303,019	233,704
Loss carryforwards	4,757,464	3,938,525
	$ 6,557,603	$ 4,945,489

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised of:

Investee	Unused Amount	Expiry Year
Eterbright	$ 3,564,963	110-117
HIWIN Japan	378,571	108-115
Luren	354,519	112-117
HIWIN Korea	174,340	112-117
HIWIN Singapore	105,332	no limit
HIWIN Italy	99,312	no limit
Matrix	80,427	no limit
	$ 4,757,464	

f. Information about tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Cash injection in 2009	January 2016 to December 2020

g. Income tax assessments

The tax returns of the Corporation, Eterbright and Luren through 2016 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 5,392,257	292,441	$18.44
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	2,358	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 5,392,257	294,799	$18.29

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 2,738,019	288,562	$9.49
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	808	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 2,738,019	289,370	$9.46

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 29, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 9.77	$ 9.49
Diluted earnings per share	$ 9.75	$ 9.46

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.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Matrix	Design, integrated application, research, development, manufacture and sale of thread forming machinery	June 29, 2018	52	$240,480

Matrix was acquired in order to obtain the key technologies of manufacturing equipment.

b. Assets acquired and liabilities assumed at the date of acquisition

Current assets	
Cash and cash equivalents	$ 21,630
Trade receivables	2,947
Inventories	99,952
Other current assets	48,211
Non-current assets	
Property, plant and equipment	181,605
Other non-current assets	1,073
Current liabilities	
Trade and other payables	(21,905)
Other current liability	(452)
Non-current liabilities	
Other non-current liability	(18,781)
	$ 314,280

c. Goodwill arising on acquisition

Consideration transferred	$ 240,480
Less: Fair value of identifiable net assets acquired	(162,232)
Goodwill arising on acquisition	$ 78,248

The goodwill recognized in the acquisitions of Matrix mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Matrix. 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 the acquisition of subsidiaries

Consideration paid in cash	$ 240,480
Less: Cash and cash equivalent balances acquired	(21,630)
	$ 218,850

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On December 31, 2018, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 65% to 74%.

On November 30, 2018, the Corporation subscribed for additional new shares of Luren at a percentage different from its existing ownership percentage, increasing its continuing interest from 48% to 58%.

On March 2, 2017, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 58% to 65%.

On June 30, September 29 and October 31, 2017, the Corporation acquired additional shares of Luren, increasing its continuing interest from 47% to 48%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over the subsidiaries.

26. OPERATING LEASE ARRANGEMENTS

The Group's future minimum lease payments on land, factory building, inventory warehouse and employee dormitory based on operating lease agreements are as follows:

Year	Amount
2019	$ 131,736
2020	89,531
2021	73,520
2022	37,133
2023	31,822
	$ 363,742

27. 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.

28.FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2018

The Company's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

December 31, 2017

The Company's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs.

There were no transfers between Level 1 and 2 in the year ended December 31, 2017.

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	
	2018	**2017**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 282	$ -
Held for trading	-	548

Loans and receivables	-	7,224,597
Financial assets at amortized cost	8,949,350	-
Held-to-maturity financial assets	-	2,919
Financial assets measured at cost	-	320,464
Financial assets at FVTOCI		
Equity instruments	934,160	-
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	5,775	-
Held for trading	-	3,038
Financial liabilities at amortized cost	22,498,191	19,850,157

The balances 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 assets measured at amortized cost, which comprise cash and cash equivalents, notes receivables (including from related parties), trade payables (including from related parties), financial assets at amortized cost non-current 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 and long-term borrowings.

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 foreign 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 32.

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 profit for the years ended December 31, 2018 and 2017 would have decreased by $52,320 thousand and $40,437 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds floating interest rates.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Deposits in bank	$ 339	$ 371,751
Cash flow interest rate risk		
Deposits in bank	2,642,345	2,316,026
Short-term borrowings	6,194,778	4,951,437
Long-term borrowings	7,811,572	8,841,432

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, 2018 and 2017 would have decreased by $90,912 thousand and $95,258 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.

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 63% and 68% of the total trade receivables as of December 31, 2018 and 2017, 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, 2018 and 2017, the Group had available unutilized bank loan facilities of $8,371,563 thousand and $8,045,164 thousand, respectively.

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

	Less Than 1 Year	**1-5 Years**	**5+ Years**
December 31, 2018			
Non-derivative financial liabilities			
Non-interest bearing	$ 8,491,841	$ -	$ -
Variable interest rate liabilities	7,994,604	3,604,902	2,406,844
	$16,486,445	$ 3,604,902	$ 2,406,844
Derivative financial liabilities			
Foreign exchange forward contracts	$ 5,775	$ -	$ -

	Less Than 1 Year	1-5 Years	5+ Years
December 31, 2017			
Non-derivative financial liabilities			
Non-interest bearing	$ 6,057,288	$ -	$ -
Variable interest rate liabilities	6,705,596	4,671,385	2,415,888
	$12,762,884	$ 4,671,385	$ 2,415,888
Derivative financial liabilities			
Foreign exchange forward contracts	$ 3,038	$ -	$ -

29. 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. Related party name and categories

Related Party	Relationship with the Consolidated Corporation
HIWIN S.R.O.	Associates
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associates
Coventry Matrix Technologies Ltd.	Others
HIWIN Mikrosystem	Others
HIWIN Investment and Holding Corporation	Others
HIWIN Technologies Foundation in Education (HIWIN Foundation)	Others
Taiwan Automation Intelligence and Robotics Association	Others (non-related party from August 9, 2017.)
All Horng Gear Industry Co., Ltd	Others
Taiwan Gong Ji Chang Co., Ltd	Others

b. Operating transactions

	For the Year Ended December 31	
	2018	2017
1) Sales of goods		
Associates	$ 224,120	$ 174,296
Others	127,938	132,682
	$ 352,058	$ 306,978

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.

	For the Year Ended December 31	
	2018	2017
2) Purchases of goods		
Others	$ 1,167,761	$ 877,794
Associates	46	4
	$ 1,167,807	$ 877,798

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

	For the Year Ended December 31	
	2018	2017
Non-operating income - dividend income (classified as other revenue)		
Others	$ 1,213	$ 344
Non-operating income - other income		
Others	$ 240	$ 270
Manufacturing and operating expenses		
Others	$ 6,740	$ 11,451
Associates	4,226	-
	$ 10,966	$ 11,451
Operating expenses - donations		
HIWIN Foundation	$ 34,480	$ 17,500

	December 31	
	2018	2017
4) Notes receivable		
Others	$ 1,449	$ 2,835
5) Trade receivables		
Associates	$ 20,463	$ 20,709
Others	3,382	7,818
	$ 23,845	$ 28,527
6) Other receivables (classified as other current assets)		
Others	$ 112	$ 190

	December 31 2018	December 31 2017
7) Trade payables		
Others	$ 179,292	$ 241,120
Associates	-	655
	$ 179,292	$ 241,775
8) Other payables		
Others	$ 1,809	$ 438
9) Other non-current liabilities		
Others	$ 18,157	$ -

c. Acquisition of property, plant and equipment

	Purchase Price For the Year Ended December 31 2018	Purchase Price For the Year Ended December 31 2017
Others	$ -	$ 2,050

d. Disposals of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain on Disposal For the Year Ended December 31	
	2018	2017	2018	2017
Others	$ 300	$ -	$ 20	$ -

e. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 492,262	$ 307,938
Post-employment benefits	1,066	4,070
Share-based payments	2,281	-
Other long-term employee benefits	1,583	1,675
	$ 497,192	$ 313,683

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term and long-term bank loans:

	December 31	
	2018	2017
Property, plant and equipment	$14,265,514	$13,300,630
Land use right	80,866	84,355
Pledge deposits (classified as other current assets)	2,000	12,883
	$14,348,380	$13,397,868

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $397,191 thousand and $222,912 thousand, respectively.

b. As of December 31, 2018 and 2017, the Group had a commitment to purchase property, plant and equipment for $1,892,393 thousand and $2,685,367 thousand, respectively.

32. 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, 2018			December 31, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 36,693	30.715	$ 1,127,027	$ 26,881	29.76	$ 799,980
EUR	46,251	35.20	1,628,020	35,148	35.57	1,250,229
JPY	3,260,177	0.2782	906,981	1,902,185	0.2642	502,557
CNY	804,447	4.472	3,597,488	602,109	4.565	2,748,626
Non-monetary items						
USD	5,017	30.715	154,118	8,168	29.76	243,080
ILS	10,871	8.152	88,615	8,729	8.566	74,775
Financial liabilities						
Monetary items						
USD	10,910	30.715	335,088	6,284	29.76	187,009
EUR	4,411	35.20	155,275	2,221	35.57	79,003
JPY	731,384	0.2782	203,471	559,025	0.2642	147,694
CNY	5,732	4.472	25,633	3,457	4.565	15,779

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:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	$ 47,077	1 (NTD:NTD)	$ 13,185

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments 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 28)

10) Other: 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 receipt of services. (None)

34. 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.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2018	2017	2018	2017
Linear guideways	$ 17,337,365	$ 11,815,483	$ 4,565,165	$ 2,576,663
Ballscrews	7,129,981	5,128,057	1,800,919	859,081
Others	4,865,783	4,221,224	53,111	(90,643)
Total from continuing operations	$ 29,333,129	$ 21,164,764	6,419,195	3,345,101
Subsidy revenue			73,623	84,941
Finance costs			(146,985)	(131,357)
Share of profit of associates accounted for using equity method			29,611	23,399
Interest income			53,757	37,898
Other income			108,458	80,378
Net foreign exchange gain			39,496	28,830
Other expenses			(39,438)	(41,005)
Valuation loss on financial assets (liabilities) at fair value through profit or loss			(17,757)	(67,577)
Impairment loss			(424,000)	(548,473)
Profit before income tax			$ 6,095,960	$ 2,812,135

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated or the years ended December 31, 2018 and 2017.

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 gain, other expenses, valuation loss on financial assets (liabilities) at fair value through profit or loss, impairment loss and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

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

c. Geographical information

The Group operates in Taiwan, Germany, China, 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	
	2018	2017	2018	2017
Taiwan	$17,316,281	$13,368,957	$25,319,181	$19,544,855
Germany	3,533,755	2,542,286	1,053,574	1,056,953
China	2,968,077	1,592,060	1,364,661	1,152,261
Japan	2,216,685	1,162,034	63,196	27,686
USA	1,207,781	1,060,802	476,403	405,866
Others	2,090,550	1,438,625	1,440,952	1,831,285
	$29,333,129	$21,164,764	$29,717,967	$24,018,906

d. Information about major customers

No single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	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 Italy	Other receivables from related parties	Yes	$ 114,723	$ 55,582	$ 55,582	1.76%	1	Sales $771,056	-	$ -	-	$ -	$ 299,200	$ 7,254,138
0	The Corporation	Eterbright	Other receivables from related parties	Yes	510,000	-	-	1.76%	2	-	Operating capital	-	Promissory note and equipment	630,000	2,311,515	7,254,138
1	Luren	Luren Japan	Other receivables from related parties	Yes	3,074	-	-	1.895%	1	Sales 23,726	-	-	-	-	6,955	31,275
1	Luren	Luren Shanghai	Other receivables from related parties	Yes	13,234	11,208	11,208	1.895%	1	Sales 66,982	-	-	-	-	13,461	31,275

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 total amount for lending to a company for funding shall not exceed 10% of the net assets of Luren 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. When the lending is for business relationship by the Corporation and Luren, the lending shall be subject to not only the restriction set forth in the above instructions but also the principle that the business has occurred. The amount for lending to a company for funding shall not exceed the maximum amount of sales or purchases in the latest year or the latest twelve months when the lending occurs.

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. For the financing provided by each subsidiary, the maximum amount should not exceed 20% of Luren'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.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 Year	Outstanding Endorsement/ Guarantee at the End of the Year	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	Eterbright	Subsidiary	$ 2,311,515	$ 1,600,000	$ 1,600,000	$ 954,000	$ -	6.6	$ 8,463,161	Yes	-	-
0	The Corporation	HIWIN Singapore	Subsidiary	112,400	92,145 (USD 3,000)	92,145 (USD 3,000)	57,191 (USD 1,862)	-	0.4	8,463,161	Yes	-	-
0	The Corporation	HIWIN Korea	Subsidiary	199,800	138,218 (USD 4,500)	138,218 (USD 4,500)	99,824 (USD 3,250)	-	0.6	8,463,161	Yes	-	-
0	The Corporation	HIWIN Japan	Subsidiary	600,077	600,077 (JPY 2,157,000)	600,077 (JPY 2,157,000)	-	-	2.5	8,463,161	Yes	-	-
0	The Corporation	Luren	Subsidiary	400,000	400,000	400,000	90,000	-	1.7	8,463,161	Yes	-	-

Note 1: The maximum is 10% of the net assets of the Corporation as shown in the latest financial statements. In addition, the amount shall not exceed the endorsee's paid-in capital. However, the amount of guarantee to subsidiaries is not subject to the above restrictions after the approval of the board of director, and the amount shall not exceed 50% of the Corporation's net assets 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, 2018.

TABLE 3

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Government bonds							
	Central Government Bonds 1999-3	-	Financial assets at amortized cost - non-current	-	$ 2,803	-	$ 2,803	
	Share capital							
	Kaland	-	Financial assets at FVTOCI - non-current	323,289	208,326	19	208,326	
	Sunengine	-	Financial assets at FVTOCI - non-current	2,063,681	-	10	-	
	HIWIN Mikrosystem	-	Financial assets at FVTOCI - non-current	9,516,113	719,894	9	719,894	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,620	-	2,620	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	
HIWIN Germany	Share capital							
	HIWIN (Schweiz) GmbH	-	Financial assets at fair value through other comprehensive income - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

Note: 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, 2018
(In Thousands of New Taiwan Dollars)

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
The Corporation	Share capital	Investments accounted for using equity method	Eterbright	Subsidiary	138,838,559	$ 394,413	67,320,508	$ 673,205	-	$ -	$ -	$ -	$ (890,011) (Note 1)	171,449,427 (Note 2)	$ 177,607

Note 1: Including investment loss accounted for using equity method of $692,017 thousand, and decrease in net assets of $197,994 thousand from subscribing for additional new shares at a percentage different from its existing ownership percentage.

Note 2: Due to the capital reduction for offsetting the deficit, the shares that the company held decreased by 34,709,640 shares.

Note 3: 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, 2018
(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	Yunlin Technology Industrial Park, the factory in shiliuban	2018.3.22	$ 358,000	$ 336,516	Reiju Construction Co., Ltd.	None	-	-	-	$ -	Contractors bid	Factory Construction	-

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, 2018
(In Thousands of New Taiwan Dollars)

Company Name	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 China	Subsidiary	Sale	$(2,423,559)	(10)	O/A 120 days	$ -	-	$ 783,464	11	
	HIWIN Germany	Subsidiary	Sale	(1,897,709)	(8)	O/A 90-120 days	-	-	395,954	6	
	HIWIN Japan	Subsidiary	Sale	(1,449,817)	(6)	O/A 150 days	-	-	757,241	11	
	HIWIN Italy	Subsidiary	Sale	(771,056)	(3)	O/A 180 days	-	-	625,989	9	
	HIWIN USA	Subsidiary	Sale	(563,025)	(2)	O/A 120 days	-	-	244,421	3	
	HIWIN Korea	Subsidiary	Sale	(367,991)	(1)	O/A 180 days	-	-	215,765	3	
	HIWIN Mikrosystem	Others	Purchase	420,193	3	Net 120 days after monthly closing	-	-	(16,056)	-	
HIWIN China	The Corporation	Parent Company	Purchase	2,423,559	91	O/A 120 days	-	-	(783,464)	(99)	
HIWIN Germany	The Corporation	Parent Company	Purchase	1,897,709	65	O/A 90-120 days	-	-	(395,954)	(76)	
	HIWIN Mikrosystem	Others	Purchase	256,099	9	O/A 90 days	-	-	(46,243)	(9)	
	HIWIN S.R.O	Associate	Sale	(224,099)	(6)	O/A 45 days	-	-	20,463	11	
HIWIN Japan	The Corporation	Parent Company	Purchase	1,449,817	93	O/A 150 days	-	-	(757,241)	(95)	
HIWIN Italy	The Corporation	Parent Company	Purchase	771,056	80	O/A 180 days	-	-	(625,989)	(88)	
HIWIN USA	The Corporation	Parent Company	Purchase	563,025	59	O/A 120 days	-	-	(244,421)	(78)	
	HIWIN Mikrosystem	Others	Purchase	283,620	30	O/A 90 days	-	-	(60,968)	(19)	
HIWIN Korea	The Corporation	Parent Company	Purchase	367,991	78	O/A 180 days	-	-	(215,765)	(98)	

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, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)		Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	HIWIN China	Subsidiary	Trade receivables from related parties	$ 783,464	3.40	$ -	-	$ 624,438	$ -
	HIWIN Japan	Subsidiary	Trade receivables from related parties	757,241	2.39	-	-	234,239	-
	HIWIN Germany	Subsidiary	Trade receivables from related parties	395,954	4.56	-	-	182,414	-
	HIWIN USA	Subsidiary	Trade receivables from related parties	244,421	3.07	-	-	107,753	-
	HIWIN Korea	Subsidiary	Trade receivables from related parties	215,765	2.51	-	-	83,944	-
	HIWIN Italy	Subsidiary	Trade receivables from related parties	625,989	1.52	-	-	110,732	-
	HIWIN Italy	Subsidiary	Other receivables from related parties	55,663	-	-	-	-	-

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE8

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 1,449,817	O/A 150 days	5
			1	Trade receivables	757,241	O/A 150 days	2
		HIWIN Germany	1	Sales	1,897,709	O/A 90-120 days	6
			1	Trade receivables	395,954	O/A 90-120 days	1
		HIWIN USA	1	Sales	563,025	O/A 120 days	2
			1	Trade receivables	244,421	O/A 120 days	-
		HIWIN China	1	Sales	2,423,559	O/A 120 days	8
			1	Trade receivables	783,464	O/A 120 days	2
		HIWIN Korea	1	Sales	367,991	O/A 180 days	1
			1	Trade receivables	215,765	O/A 180 days	-
		HIWIN Italy	1	Sales	771,056	O/A 180 days	3
			1	Trade receivables	625,989	O/A 180 days	1
			1	Other receivables	55,663	-	-

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 from HIWIN China are $168,650 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
The Corporation	HIWIN Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	$ 224,257	$ 452,797	-	100	$ 1,289,175	$ 323,618	$ 323,618	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	423,670	127,001	127,001	Subsidiary
	HIWIN Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	126,122	219,527	219,527	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	121,444	43,642	17,457	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	2,983,554	2,310,349	171,449,427	74	177,607	(1,070,898)	(692,017)	Subsidiary
	HIWIN Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(42,366)	(13,844)	(13,844)	Subsidiary
	HIWIN Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(45,214)	(44,416)	(44,416)	Subsidiary
	Luren	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	521,983	367,109	17,647,761	58	261,205	(230,617)	(122,859)	Subsidiary
	HIWIN Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,974	(23)	(23)	Subsidiary
	HIWIN Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	68,040	-	100	(63,471)	51,947	49,258	Subsidiary
	Matrix	United Kingdom	Design, integrated application, research, development, manufacture and sale of thread forming machinery	240,480	-	2,400,000	52	221,274	396	(14,860)	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	58,088 (EUR 1,650)	(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)	-	-	-	(Note 1)	(Note 1)	Subsidiary
Luren	Luren Japan	Japan	Sale of gear cutting tools and machinery	7,956	7,956	-	-	(Note 2)	(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	-	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Luren Japan completed its liquidation procedures in June, 2018.

Note 3: Significant intercompany accounts and transactions have been eliminated except Mega-Fabs and HIWIN S.R.O.

Note 4: Information on investment in Mainland China, please see Table 10.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YIFU Finance	Finance lease	$ 258,405 (USD 8,413)	(Note 1)	$ 236,266 (USD 8,168)	$ -	$ 96,533 (USD 3,151)	$ 139,733 (USD 5,017)	$ 201,456	19	(Note 3)	$ 208,326	$ 20,062 (USD 655)
HIWIN China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,498,040 (CNY 300,000)	-	-	1,498,040 (CNY 300,000)	283,651	100	$ 283,651 (Notes 4 and 6)	1,722,470 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(3,540)	58	(1,737) (Notes 4 and 6)	(7,514) (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Corporation	$ 1,637,773 (USD 5,017 and CNY 300,000)	$ 1,633,393 (USD 9,500 and CNY 300,000)	(Note 5)
Luren	$ 14,047 (USD 439)	$ 14,047 (USD 439)	$ 93,825 (Note 5)

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 financial asset measured at FVTOCI; 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: 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 6: Significant intercompany accounts and transactions have been eliminated.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders HIWIN Technologies Corporation

Opinion

We have audited the accompanying financial statements of HIWIN Technologies Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2018 are as follows:

Revenue recognition

The sales of the Company mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Company satisfies the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the financial statements.

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

1. We understood and tested the design and operating effectiveness of related internal controls over the acceptance of order and shipping procedures; we selected sample sales transactions of distribution channels and verified that the receiving of the order and the timing of the revenue recognition were in accordance with the terms of transaction.

2. We validated the terms of transactions against sales contracts and orders with major distributors to ensure that the terms of transaction and the timing of the revenue recognition are in accordance; we tested the records of sales returns against source documents and we checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and impairment assessment of inventory

As of December 31, 2018, the carrying amount of inventory was $5,977,276 thousand. Such carrying amount of inventory is the lower of cost or net realizable value which is determined subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory is identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood the related internal control and procedures on the valuation of inventory and assessed that valuation including impairment assessment conforms to the approved procedures.

2. We assessed the reasonableness of provision for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.

3. We tested the net realizable value of sample inventory items against the selling price, and we checked the completeness and accuracy of the information of net realizable value.

4. We compared the actual sales amount of the sample inventory items with the book value to ascertain that the carrying value of the inventory does not exceed the net realizable value.

5. We evaluated the adequacy of provision for obsolete and damaged stock based on the condition of inventory during our observation of inventory counts.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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 26, 2019

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,433,225	3	$ 1,071,127	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	282	-	548	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 10)	189,647	-	290,417	1
Trade receivables from unrelated parties, net (Notes 4, 5 and 10)	3,699,722	8	2,755,161	8
Trade receivables from related parties, net (Notes 4, 5 and 27)	3,138,408	7	2,172,060	7
Inventories (Notes 4, 5 and 11)	5,977,276	14	3,422,111	10
Other current assets (Note 27)	374,372	1	332,382	1
Total current assets	14,812,932	33	10,043,806	30
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	930,840	2	-	-
Held-to-maturity financial assets - non-current (Note 4)	-	-	2,919	-
Financial assets at amortized cost - non-current (Note 4)	2,803	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	317,144	1
Investments accounted for using the equity method (Notes 4, 12, 22, 23 and 27)	4,345,941	10	3,907,514	12
Property, plant and equipment (Notes 4, 13, 27 and 28)	20,804,336	47	16,833,733	51
Deferred tax assets (Notes 4 and 20)	399,682	1	230,702	1
Prepayments for machinery and equipment (Notes 14 and 27)	2,864,639	7	1,750,533	5
Refundable deposits (Note 4)	16,996	-	15,925	-
Other non-current assets (Note 4)	49,584	-	24,305	-
Total non-current assets	29,414,821	67	23,082,775	70
TOTAL	$ 44,227,753	100	$ 33,126,581	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 28)	$ 4,550,000	10	$ 3,381,036	10
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	5,775	-	3,038	-
Contract liabilities - current (Note 4)	104,833	-	-	-
Notes payable	12,431	-	8,815	-
Trade payables to unrelated parties	5,165,874	12	3,747,182	12
Trade payables to related parties (Note 27)	34,942	-	41,845	-
Other payables (Notes 16 and 27)	2,241,906	5	1,280,071	4
Current tax liabilities (Notes 4 and 20)	615,008	1	317,650	1
Current portion of long-term borrowings (Notes 15 and 28)	1,604,194	4	1,600,492	5
Other current liabilities (Note 4)	46,987	-	86,623	-
Total current liabilities	14,381,950	32	10,466,752	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 28)	4,792,936	11	5,818,110	17
Deferred tax liabilities (Notes 4 and 20)	421,253	1	206,609	1
Net defined benefit liabilities - non-current (Notes 4 and 17)	287,229	1	280,180	1
Guarantee deposits	12,875	-	300	-
Credit balance for investments accounted for using the equity method (Notes 4 and 12)	151,051	-	61,534	-
Total non-current liabilities	5,665,344	13	6,366,733	19
Total liabilities	20,047,294	45	16,833,485	51
EQUITY				
Common stock	3,005,620	7	2,801,573	8
Capital surplus	3,236,274	7	308,630	1
Retained earnings				
Legal reserve	2,166,826	5	1,893,024	6
Special reserve	250,940	1	265,533	1
Unappropriated earnings	15,145,659	34	11,275,276	34
Other equity	375,140	1	(250,940)	(1)
Total equity	24,180,459	55	16,293,096	49
TOTAL	$ 44,227,753	100	$ 33,126,581	100

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 27)	$ 24,600,218	100	$ 17,053,792	100
COST OF GOODS SOLD (Notes 11, 19 and 27)	15,172,408	62	10,932,061	64
GROSS PROFIT	9,427,810	38	6,121,731	36
UNREALIZED GAIN (Note 4)	(580,844)	(2)	(189,752)	(1)
REALIZED GROSS PROFIT	8,846,966	36	5,931,979	35
OPERATING EXPENSES (Notes 19 and 27)				
Selling and marketing expenses	478,366	2	406,664	2
General and administrative expenses	1,106,090	4	669,429	4
Research and development expenses	1,184,638	5	1,003,157	6
Total operating expenses	2,769,094	11	2,079,250	12
PROFIT FROM OPERATIONS	6,077,872	25	3,852,729	23
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	38,174	-	51,943	-
Finance costs (Notes 4 and 19)	(80,098)	-	(101,733)	(1)
Share of profit or loss of subsidiaries and associates accounted for using equity method (Notes 4 and 12)	132,493	1	(588,435)	(3)
Interest income (Notes 4 and 27)	37,739	-	27,085	-
Other income (Note 27)	66,661	-	46,139	-
Net foreign exchange gain (Notes 4 and 30)	48,374	-	11,076	-
Other expenses	(12,860)	-	(1,707)	-
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	(17,757)	-	(67,577)	-
Impairment loss (Note 4)	-	-	(48,473)	-
Total non-operating income and expenses	212,726	1	(671,682)	(4)
PROFIT BEFORE INCOME TAX	6,290,598	26	3,181,047	19
INCOME TAX EXPENSE (Notes 4 and 20)	898,341	4	443,028	3
NET PROFIT FOR THE YEAR	5,392,257	22	2,738,019	16

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note17)	$ (16,254)	-	$ (49,160)	-
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	519,283	2	-	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	2,107	-	(1,994)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	5,403	-	8,357	-
	510,539	2	(42,797)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(42,185)	-	17,521	-
Share of the other comprehensive income (loss) of subsidiaries and associates/accounted for using the equity method	414	-	43	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	17,517	-	(2,978)	-
	(24,254)	-	14,586	-
Other comprehensive gain (loss) for the year, net of income tax	486,285	2	(28,211)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,878,542	24	$ 2,709,808	16
EARNINGS PER SHARE (Note 21)				
Basic	$ 18.44		$ 9.49	
Diluted	$ 18.29		$ 9.46	

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

		Capital Surplus (Note 18)		Retained Earnings (Note 18)			Other Equity (Note 4)		
	Common Stock (Note 18)	Additional Paid-in Capital	Employee stock option	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,746,640	$ 308,630	$ -	$ 1,760,342	$ 91,624	$ 9,459,908	$ (265,533)	$ -	$ 14,101,611
Appropriation of 2016 earnings									
Legal reserve	-	-	-	132,682	-	(132,682)	-	-	-
Special reserve	-	-	-	-	173,909	(173,909)	-	-	-
Cash dividends - NT$1.6 per share	-	-	-	-	-	(439,462)	-	-	(439,462)
Share dividends - NT$0.2 per share	54,933	-	-	-	-	(54,933)	-	-	-
	54,933	-	-	132,682	173,909	(800,986)	-	-	(439,462)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(78,868)	7	-	(78,861)
Net profit for the year ended December 31, 2017	-	-	-	-	-	2,738,019	-	-	2,738,019
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(42,797)	14,586	-	(28,211)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	2,695,222	14,586	-	2,709,808
BALANCE AT DECEMBER 31, 2017	2,801,573	308,630	-	1,893,024	265,533	11,275,276	(250,940)	-	16,293,096
Effect of retrospective application	-	-	-	-	-	33,915	-	139,447	173,362
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,801,573	308,630	-	1,893,024	265,533	11,309,191	(250,940)	139,447	16,466,458
Appropriation of 2017 earnings									
Legal reserve	-	-	-	273,802	-	(273,802)	-	-	-
Special reserve	-	-	-	-	(14,593)	14,593	-	-	-
Cash dividends - NT$3.5 per share	-	-	-	-	-	(980,551)	-	-	(980,551)
Share dividends - NT$0.3 per share	84,047	-	-	-	-	(84,047)	-	-	-
	84,047	-	-	273,802	(14,593)	(1,323,807)	-	-	(980,551)
Issuance of ordinary shares for cash	120,000	2,922,204	5,440	-	-	-	-	-	3,047,644
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	-	(231,634)	-	-	(231,634)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	8,396	-	(8,396)	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	5,392,257	-	-	5,392,257
Other comprehensive income (loss) for the year ended December 31, net of income tax	-	-	-	-	-	(8,744)	(24,254)	519,283	486,285
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	5,383,513	(24,254)	519,283	5,878,542
BALANCE AT DECEMBER 31, 2018	$ 3,005,620	$ 3,230,834	$ 5,440	$ 2,166,826	$ 250,940	$ 15,145,659	$ (275,194)	$ 650,334	$ 24,180,459

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,290,598	$ 3,181,047
Adjustments for :		
Depreciation expenses	1,330,812	1,176,025
Amortization expenses	17,850	8,560
Expected credit loss recognized on trade receivables	2,807	-
Reversal of impairment loss on receivables	-	(61,259)
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	5,493	2,490
Finance costs	80,098	101,733
Interest income	(37,739)	(27,085)
Dividend income	(23,511)	(344)
Compensation costs of employee share options	52,644	-
Share of profit or loss of subsidiaries and associates	(132,493)	588,435
Loss on disposal of property, plant and equipment	12,065	1,178
Impairment loss recognized on financial assets	-	34,000
Impairment loss recognized (reversed) on non-financial assets	(1,000)	12,473
Unrealized gains	580,844	189,752
Unrealized foreign currency exchange gain, net	(37,429)	(27,410)
Other	116	114
Changes in operating assets and liabilities		
Financial instruments held for trading	-	4,265
Financial assets mandatorily classified as at fair value through profit or loss	(2,490)	-
Notes receivable	101,788	(180,313)
Trade receivables	(1,874,785)	(323,306)
Inventories	(2,423,191)	(477,808)
Other current assets	(42,110)	351,313
Contract liabilities	58,391	-
Notes payable	3,616	(1,136)
Trade payables	1,409,269	1,887,671
Other payables	944,176	488,805
Other current liabilities	6,806	12,481
Net defined benefit liabilities	(9,205)	(4,595)
Cash generated from operations	6,313,420	6,937,086
Interest received	37,859	27,128
Dividend received	23,511	344
Interest paid	(81,291)	(101,703)
Income taxes paid	(532,399)	(154,086)
Net cash generated from operating activities	5,761,100	6,708,769

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition financial assets at fair value through other comprehensive income	$ (32,334)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	14,750	-
Return of capital from financial assets at fair value through other comprehensive income	96,533	-
Net cash outflow on acquisition of subsidiaries (Note 22)	(240,480)	-
Payments for property, plant and equipment	(3,346,522)	(2,385,953)
Proceeds from disposal of property, plant and equipment	5,486	2,555
Increase in refundable deposits	(1,071)	(5,305)
Decrease in other financial assets	-	41,928
Increase in other non-current assets	(46,751)	(21,625)
Increase in prepayments for machinery and equipment	(3,195,050)	(1,620,190)
Net cash used in investing activities	(6,745,439)	(3,988,590)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	1,168,964	(645,894)
Proceeds from long-term borrowings	1,531,860	1,076,000
Repayments of long-term borrowings	(2,553,332)	(1,916,913)
Increase in guarantee deposit received	12,575	-
Dividends paid	(980,551)	(439,462)
Proceeds from issuance of ordinary shares	2,995,000	-
Acquisition of additional shares of subsidiary	(828,079)	(591,386)
Net cash generated from (used in) financing activities	1,346,437	(2,517,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS	362,098	202,524
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,071,127	868,603
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,433,225	$ 1,071,127

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

HIWIN TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 26, 2019.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,071,127	$ 1,071,127	(a)
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss	548	548	-
Notes receivable, trade receivables and refundable deposits	Loans and receivables	Amortized cost	5,233,563	5,233,563	(a)
Debt securities	Held-to-maturity	Amortized cost	2,919	2,919	(b)
Equity securities	Financial assets measured at cost	Fair value through other comprehensive income - equity instruments	317,144	490,506	(c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 548	$ -	$ -	$ 548	$ -	$ -	
FVTOCI	-	-	-	-	-	-	
Remeasurement of financial assets at cost (IAS 39)	-	317,144	173,362	490,506	33,915	139,447	(c)
	-	317,144	173,362	490,506	33,915	139,447	
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	6,304,690	-	6,304,690	-	-	(a)
Add: Reclassification from held-to-maturity (IAS 39)	-	2,919	-	2,919	-	-	(b)
	-	6,307,609	-	6,307,609	-	-	
	$ 548	$ 6,624,753	$ 173,362	$ 6,798,663	$ 33,915	$ 139,447	

a) Cash and cash equivalents, notes receivable, trade receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Investments in unlisted shares previously measured at cost under IAS 39 have been classified at designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $173,362 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $33,915 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $33,915 thousand in retained earnings on January 1, 2018.

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for lease that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 only to contracts entered in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 269,082	$ 269,082
Total effect on assets	$ -	$ 269,082	$ 269,082
Lease liabilities - current	$ -	$ 55,521	$ 55,521
Lease liabilities - non-current	-	213,561	213,561

Total effect on liabilities	$ -	$ 269,082	$ 269,082
Retained earnings	$ -	$ -	$ -
Total effect on equity	$ -	$ -	$ -

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assessed that the application of other standards and interpretations will not have significantly effect on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and 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 an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the company'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 translated using the exchange rate at the date of transaction.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investment in associates

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

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

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

Any excess of the cost of acquisition over the Company'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 Company'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 Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its 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 had the investee 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 using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company'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 using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Company 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 the investment's 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 Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company' parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant, and equipment

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

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

Depreciation of property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the 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 the estimates accounted for on a prospective basis.

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

i. Intangible assets

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

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

j. Impairment of tangible and intangible assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

<u>2018</u>

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial asset.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

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 FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss earned on such a financial asset. The fair value is determined in the manner described in Note 26.

ii. Held-to-maturity investments

Domestic bonds, which the Company has a 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 FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating 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 such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company'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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 measured 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 of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

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

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

b) Impairment of financial assets

<u>2018</u>

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as notes receivables, trade receivables and held-to-maturity investments, 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 Company's past experience with 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 defaults on receivables.

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

For a financial asset 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 on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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 becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are 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 uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company 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.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are 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. The fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

l. Provision

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

Provisions for the expected cost of warranty obligations to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

m. Revenue recognition

2018

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer acquisition of control. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the customer acquisition control of the good.

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

2017

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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company 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 Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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 a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that 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 Company 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 applicable effective interest rate applicable.

n. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company 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 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 expenses on a straight-line basis over the lease term.

o. Borrowing costs

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

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Company 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 Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations 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 estimates are revised if the revisions affect only that period or in the period of the revision and future periods if the revisions affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 1,658	$ 1,434
Checking accounts and demand deposits	1,431,567	698,656
Cash equivalents		
Time deposits	-	371,037
	$ 1,433,225	$ 1,071,127
Rate of interest per annum (%)		
Cash in bank	0.00-0.48	0.00-2.50

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 under IAS 39. They have been classified as mandatorily measured at FVTPL under IFRS 9. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount
December 31, 2018			
Sell	EUR/NTD	2019.2.1-2019.3.22	EUR2,100/NTD73,964
Sell	CNY/NTD	2019.1.28-2019.4.16	CNY165,000/NTD728,028

	Currency	Maturity Date	Notional Amount
December 31, 2017			
Sell	EUR/NTD	2018.1.9-2018.2.21	EUR2,600/NTD92,486
Sell	CNY/NTD	2018.1.26-2018.2.26	CNY120,000/NTD540,734

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT - 2018

Investments in equity instruments at FVTOCI	December 31, 2018
Domestic listed at emerging market common shares	
HIWIN Mikrosystem Corp. (HIWIN Mikrosystem)	$ 719,894
Domestic unlisted common shares	
Taichung International Country Club	2,620
Sunengine Corporation Ltd. (Sunengine)	-
King Kong Iron Work Ltd.	-
Overseas unlisted common shares	
Kaland Holdings Corp. (Kaland)	208,326
	$ 930,840

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company'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.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as financial assets measured at cost under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

In October 2018, the Company sold its shares in HIWIN Mikrosystem, with a fair value of $14,750 thousand and, the Company transferred the unrealized gain of $8,396 thousand from other equity to retained earnings.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

Investee	December 31, 2017
Domestic unlisted common shares	
HIWIN Mikrosystem	$ 63,440
Sunengine	15,338
Taichung International Country Club	2,100
King Kong Iron Work Ltd.	-
	80,878
Overseas unlisted common shares	
Kaland Holdings Corp. (Kaland)	$ 236,266
	$ 317,144

(Concluded)

Management believed that the fair value of the above unlisted equity investments held by the Company 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.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
Notes receivable from unrelated parties		
At amortized cost		
Gross carrying amount	$ 191,562	$ 293,350
Less: Allowance for impairment loss	(1,915)	(2,933)
	$ 189,647	$ 290,417
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 3,703,713	$ 2,755,570
Less: Allowance for impairment loss	(3,991)	(409)
	$ 3,699,722	$ 2,755,161

a. Notes receivable

The aging of notes receivable for the Company was as follows:

	December 31	
	2018	2017
Not past due	$ 191,562	$ 293,350
Past due	-	-
	$ 191,562	$ 293,350

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

b. Trade receivables

For the year ended December 31, 2018

The Company determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms.

In order to minimize credit risk, the management of the Company 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 Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables.

December 31, 2018

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	$ 3,356,937	$ 338,510	$ 606	$ 7,660	$ 3,703,713
Loss allowance (Lifetime ECL)	(34)	(339)	(12)	(3,606)	(3,991)
Amortized cost	$ 3,356,903	$ 338,171	$ 594	$ 4,054	$ 3,699,722

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2018	
	Notes Receivable	Trade Receivables
Balance at January 1, 2018 per IAS 39	$ 2,933	$ 409
Adjustment on initial application of IFRS 9	-	-
Balance at January 1, 2018 per IFRS 9	2,933	409
Add: Net remeasurement of loss allowance	(1,018)	3,825
Less: Amounts written off	-	(243)
Balance at December 31, 2018	$ 1,915	$ 3,991

For the year ended December 31, 2017

The Company 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 Company 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:

	December 31, 2017
Not past due	$ 2,695,959
1-30 days	49,518
31- 60 days	2,535
61-120 days	-
121-180 days	-
More than 180 days	7,558
	$ 2,755,570

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

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2017	
	Notes Receivable	Trade Receivables
Balance at January 1, 2017	$ 1,130	$ 63,471
Impairment loss recognized (reversed) on receivables	1,803	(63,062)
Balance at December 31, 2017	$ 2,933	$ 409

Trade receivables include amounts that are past due but for which the Company 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.

There were no receivables that were past due but not impaired on December 31, 2017.

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

	December 31, 2017
0-60 days	$ 2,748,012
61- 120 days	-
121-180 days	-
More than 180 days	7,558
	$ 2,755,570

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

11. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 3,346	$ 2,774
Finished goods	809,397	357,496
Work in process	1,633,173	1,302,814
Raw materials and supplies	3,195,287	1,456,944
Inventory in transit	336,073	302,083
	$ 5,977,276	$ 3,422,111

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $15,172,408 thousand and $10,932,061 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included reversal of inventory write-downs of $1,000 thousand and $2,000 thousand, and unallocated fixed overhead of $107,606 thousand and $94,147 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 4,224,497	$ 3,799,910
Investments in associates	121,444	107,604
	$ 4,345,941	$ 3,907,514

a. Investments in subsidiaries

	December 31	
	2018	2017
HIWIN GmbH (“HIWIN Germany”)	$ 1,289,175	$ 1,181,668
HIWIN Corporation, U.S.A. (“HIWIN USA”)	423,670	376,012
HIWIN Corporation, Japan (“HIWIN Japan”)	126,122	(11,851)
Eterbright Solar Corporation (“Eterbright”)	177,607	394,413
HIWIN Singapore Pte. Ltd. (“HIWIN Singapore”)	(42,366)	(19,053)
HIWIN Corporation (“HIWIN Korea”)	(45,214)	29,377
HIWIN Technologies (China) Corporation (“HIWIN China”)	1,722,470	1,554,905
Luren Precision Co., LTD(“Luren”)	261,205	260,631
HIWIN Healthcare Corp.	2,974	2,904
HIWIN S.R.L. (“HIWIN Italy”)	$ (63,471)	$ (30,630)
Matrix Machine Tool (Coventry) Limited (“Matrix”)	221,274	-
	4,073,446	3,738,376
Add: Credit balance of investments accounted for using the equity method transferred to non-current liability	151,051	61,534
	$ 4,224,497	$ 3,799,910

	Proportion of Ownership and Voting Rights	
	2018	2017
Name of subsidiary		
HIWIN Germany	100%	100%
HIWIN USA	100%	100%
HIWIN Japan	100%	100%
Eterbright	74%	65%
HIWIN Singapore	100%	100%
HIWIN Korea	100%	100%
HIWIN China	100%	100%
Luren	58%	48%
HIWIN Healthcare Corp.	100%	100%
HIWIN Italy	100%	94%
Matrix	52%	-

Refer to Note 24 to the Company' consolidated financial statements for the year ended December 31, 2018, for the disclosures of the Company's acquisitions of Matrix.

The directors of the Company concluded that the Company has the practical ability to direct Luren, unilaterally, and hence, the Company has control over Luren.

The Company proceeds 6% of HIWIN Italy's shares which owned by HIWIN Germany within the amount of 228,540 thousand by return of capital from HIWIN Germany.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the year ended December 31, 2018 and 2017 was based on the subsidiaries' financial statements which have been audited for the same year.

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually materials	$ 121,444	$ 107,604

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Profit for the year	$ 17,457	$ 10,990
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	$ 17,457	$ 10,990

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were calculated based on the financial statements which have been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Cost					
Land	$ 3,774,107	$ -	$ -	$ -	$ 3,774,107
Buildings and improvements	6,422,532	5,623	(1,174)	928,931	7,355,912
Machinery and equipment	9,188,619	987,536	(585,823)	1,911,103	11,501,435
Transportation equipment	36,343	32,482	(2,900)	-	65,925
Miscellaneous equipment	1,151,134	212,192	(50,685)	169,841	1,482,482
Construction in progress	2,349,644	2,127,541	-	(928,931)	3,548,254
	22,922,379	$ 3,365,374	$ (640,582)	$ 2,080,944	27,728,115

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Accumulated depreciation					
Buildings and improvements	1,094,138	$ 153,148	$ (1,175)	$ -	1,246,111
Machinery and equipment	4,375,670	1,138,455	(576,878)	-	4,937,247
Transportation equipment	15,696	6,520	(2,899)	-	19,317
Miscellaneous equipment	603,142	160,041	(42,079)	-	721,104
	6,088,646	$ 1,458,164	$ (623,031)	$ -	6,923,779
	$ 16,833,733				$ 20,804,336

	For the Year Ended December 31, 2017				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Cost					
Land	$ 3,709,611	$ 638	$ -	$ 63,858	$ 3,774,107
Buildings and improvements	5,954,165	5,487	(158)	463,038	6,422,532
Machinery and equipment	8,615,971	297,683	(1,054,214)	1,329,179	9,188,619
Transportation equipment	43,699	2,429	(12,959)	3,174	36,343
Miscellaneous equipment	1,018,285	99,924	(76,138)	109,063	1,151,134
Construction in progress	832,384	1,980,297	-	(463,037)	2,349,644
Prepayments for land	63,858	-	-	(63,858)	-
	20,237,973	$ 2,386,458	$ (1,143,469)	$ 1,441,417	22,922,379
Accumulated depreciation					
Buildings and improvements	955,633	$ 138,663	$ (158)	$ -	1,094,138
Machinery and equipment	4,431,017	995,173	(1,050,520)	-	4,375,670
Transportation equipment	22,774	5,848	(12,926)	-	15,696
Miscellaneous equipment	538,558	140,716	(76,132)	-	603,142
	5,947,982	$ 1,280,400	$ (1,139,736)	$ -	6,088,646
	$ 14,289,991				$ 16,833,733

The above items of property, plant and equipment 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	3-12 years
Inspection equipment	3-10 years
Transportation equipment	5-10 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment was as follows:

The date of initial cost contribution	December 31 2018	December 31 2017
Within 1 year	$ 1,751,432	$ 1,109,144
1-2 years	824,244	338,180
2-5 years	273,966	263,184
More than 5 years	14,997	40,025
	$ 2,864,639	$ 1,750,533

In order to achieve expertise and mastery in the key manufacturing technology, reduce product costs and improve the autonomy of equipment, the Company designs, develops, and assembles equipment by itself. The prepayments for machinery and equipment include both internally-developed and outsourced equipment.

15. BORROWINGS

a. Short-term borrowings

	December 31 2018	December 31 2017
Secured borrowings (Note 28)		
Loans for export sales	$ 800,000	$ 1,009,000
Usance letters of credit	-	2,036
	800,000	1,011,036
Unsecured borrowings		
Line of credit borrowings	3,750,000	2,370,000
	$ 4,550,000	$ 3,381,036
Rate of interest per annum (%)		
Loans for export sales	0.80	0.80-0.93
Usance letters of credit	-	0.90
Line of credit borrowings	0.82-0.98	0.92-1.00

b. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 28)		
Secured loans	$ 6,397,130	$ 6,918,602
Unsecured borrowings		
Unsecured loans	-	500,000
	6,397,130	7,418,602
Less: Current portion	(1,604,194)	(1,600,492)
Long-term borrowings	$ 4,792,936	$ 5,818,110
Rate of interest per annum (%)		
Secured loans	1.03-1.76	1.02-1.76
Unsecured loans	-	1.14-1.23

16.OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries and bonuses	$ 1,052,563	$ 620,156
Payables for compensation to employees	492,363	231,072
Payables for remuneration to directors	246,182	115,536
Payables for annual leave	115,818	101,497
Payables for purchases of building and equipment	23,827	4,975
Others	311,153	206,835
	$ 2,241,906	$ 1,280,071

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company 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 Company 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 Company has no right to influence the investment policy and strategy.

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 370,039	$ 367,662
Fair value of plan assets	(82,810)	(87,482)
Net defined benefit liabilities	$ 287,229	$ 280,180

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2017	$ 319,923	$ (84,308)	$ 235,615
Service cost			
Current service cost	3,371	-	3,371
Net interest expense (income)	4,729	(1,233)	3,496
Recognized in profit or loss	8,100	(1,233)	6,867
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	395	395
Actuarial loss - changes in demographic assumptions	37	-	37
Actuarial loss - changes in financial assumptions	10,547	-	10,547
Actuarial loss - experience adjustments	38,181	-	38,181
Recognized in other comprehensive income	48,765	395	49,160
Contributions from the employer	-	(11,322)	(11,322)
Benefits paid	(9,126)	8,986	(140)
Balance at December 31, 2017	367,662	(87,482)	280,180
Service cost			
Current service cost	3,229	-	3,229

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Net interest expense (income)	4,557	(1,092)	3,465
Recognized in profit or loss	7,786	(1,092)	6,694
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,396)	(2,396)
Actuarial loss - changes in demographic assumptions	529	-	529
Actuarial loss - changes in financial assumptions	10,215	-	10,215
Actuarial loss - experience adjustments	7,906	-	7,906
Recognized in other comprehensive income	18,650	(2,396)	16,254
Contributions from the employer	-	(15,899)	(15,899)
Benefits paid	(24,059)	24,059	-
Balance at December 31, 2018	$ 370,039	$ (82,810)	$ 287,229

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rates	1.00%	1.25%
Expected rates of salary increase	2.00%	2.00%
Turnover rate	1.14%	1.22%

If possible reasonable changes 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:

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (10,234)	$ (10,549)
0.25% decrease	$ 10,651	$ 10,987
Expected rate of salary increase		
0.25% increase	$ 10,518	$ 10,877
0.25% decrease	$ (10,160)	$ (10,499)
Turnover rate		
10% increase	$ (556)	$ (752)
10% decrease	$ 559	$ 757

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.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 5,925	$ 5,979
The average duration of the defined benefit obligation	11 years	11.1 years

18.EQUITY

a. Common stock

	December 31	
	2018	2017
Number of shares authorized (in thousands)	500,000	300,000
Shares authorized	$ 5,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	300,562	280,157
Shares issued	$ 3,005,620	$ 2,801,573

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

On May 10, 2018, the Company's board of directors resolved to issue 12,000 thousand ordinary shares, with a par value of NT$10, for a consideration of NT$250 per share. On June 28, 2018, the above transaction was approved by the FSC, and the subscription base date was determined as at September 5, 2018 by the board of directors.

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 Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Capital surplus arising from employee share option expires of issuance of ordinary share for cash is used to offset a deficit only.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company 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 Company'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 before and after amendment, please refer to c. Employees' compensation and remuneration of directors in Note 19-c.

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

The appropriations of earnings for 2017 and 2016 which have been approved in the shareholders' meetings on June 27, 2018, and June 28, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 273,802	$ 132,682		
Appropriation (reversal) special reserve	(14,593)	173,909		
Cash dividends	980,551	439,462	$ 3.5	$ 1.6
Share dividends	84,047	54,933	0.3	0.2

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 26, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 539,226	
Reversal special reserve	(250,940)	
Cash dividends	2,103,934	$ 7
Share dividends	90,169	0.3

The appropriation of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 28, 2019.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Information about capitalized interest

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 46,125	$ 35,622
Capitalization rates	1.38%-1.46%	1.34%-1.47%

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2018			
Short-term employee benefits			
Salary	$ 3,595,463	$ 1,053,752	$ 4,649,215
Labor and health insurance	253,839	70,612	324,451
Post-employment benefits			
Defined contribution plans	111,379	32,363	143,742
Defined benefit plans	6,158	536	6,694
Remuneration to directors	-	261,286	261,286
Other employee benefits	204,722	59,046	263,768
Depreciation expenses	1,168,791	162,021	1,330,812
Amortization expenses	12,281	5,569	17,850

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2017			
Short-term employee benefits			
Salary	$ 2,512,956	$ 757,098	$ 3,270,054
Labor and health insurance	201,431	58,764	260,195
Post-employment benefits			
Defined contribution plans	81,492	25,442	106,934
Defined benefit plans	6,120	747	6,867
Remuneration to directors	-	130,603	130,603
Other employee benefits	118,761	32,952	151,713
Depreciation expenses	1,032,625	143,400	1,176,025
Amortization expenses	5,488	3,072	8,560

As of December 31, 2018 and 2017, the Company had are 5,390 and 4,856 employees, respectively. There were 6 non-employee directors for both year. The head counts were the same as those used as basis in the calculation of employee benefit expense.

c. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 26, 2019 and March 22, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
Cash	**Accrual rate**	**Amount**	**Accrual rate**	**Amount**
Employees' compensation	7.0%	$ 492,363	6.6%	$ 231,072
Remuneration of directors	3.5%	246,182	3.3%	115,536

If there is a change in the amounts after the annual 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 paid and the amounts recognized in the financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. TAXES

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

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 623,318	$ 340,032
Income tax of unappropriated earnings	137,142	52,549
Adjustments for prior years	69,297	7,858
Deferred tax		
In respect of the current year	61,604	42,589
Adjustments to deferred tax attributable to changes in tax rates and laws	6,980	-
Income tax expense recognized in profit or loss	$ 898,341	$ 443,028

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 1,258,120	$ 540,778
Nondeductible expenses in determining taxable income	1,490	258
Tax-exempt income	(262,407)	(141,894)
Others	(1,003)	1,623
Income tax on unappropriated earnings	137,142	52,549
Investment tax credits used	(370,877)	(74,316)
Current tax	762,465	378,998
Unrecognized deductible temporary differences	59,599	56,172
Adjustments to deferred tax attributable to changes in tax rates and laws	6,980	-
Adjustments for prior years' tax	69,297	7,858
Income tax expense recognized in profit or loss	$ 898,341	$ 443,028

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ (11,232)	$ -
In respect of the current year:		
Translation of foreign operations	(8,437)	2,978
Remeasurement of defined benefit plans	(3,251)	(8,357)
	$ (22,920)	$ (5,379)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 101,499	$ 134,080	$ -	$ 235,579
Doubtful debts	25	(25)	-	-
Defined benefit obligations	21,609	(180)	5,403	26,832
Allowance for inventory devaluation	27,370	4,630	-	32,000
Impairment loss on financial assets	8,226	(1,204)	-	7,022
Payable for annual leave	17,255	5,909	-	23,164
FVTPL financial liabilities	423	676	-	1,099
Provisions	2,791	2,188	-	4,979
Exchange difference on foreign operations	51,457	-	17,517	68,974
Others	47	(14)	-	33
	$ 230,702	$ 146,060	$ 22,920	$ 399,682
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 201,265	$ 211,222	$ -	$ 412,487
Unrealized foreign currency exchange gain	5,344	3,422	-	8,766
	$ 206,609	$ 214,644	$ -	$ 421,253

	For the Year Ended December 31, 2017			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 69,241	$ 32,258	$ -	$ 101,499
Doubtful debts	3,007	(2,982)	-	25
Defined benefit obligations	14,010	(758)	8,357	21,609
Allowance for inventory devaluation	27,710	(340)	-	27,370
Impairment loss on financial assets	2,158	6,068	-	8,226
Payable for annual leave	10,900	6,355	-	17,255
FVTPL financial liabilities	-	423	-	423
Provisions	2,076	715	-	2,791
Exchange difference on foreign operations	54,435	-	(2,978)	51,457
Unrealized foreign currency exchange loss	13,426	(13,426)	-	-
Others	10,899	(10,852)	-	47
	$ 207,862	$ 17,461	$ 5,379	$ 230,702
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 145,834	$ 55,431	$ -	$ 201,265
Unrealized foreign currency exchange gain	-	5,344	-	5,344
FVTPL financial assets	725	(725)	-	-
	$ 146,559	$ 60,050	$ -	$ 206,609

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the parent company only balance sheets

	December 31	
	2018	2017
Investment loss	$ 1,497,120	$ 773,260

e. Information about tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Cash injection in 2009	January 2016 to December 2020

f. Income tax assessments

The tax returns of the Company through 2016 have been assessed by the tax authorities.

21.EARNINGS PER SHARE

	Net profit	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year	$ 5,392,257	292,441	$18.44
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	2,358	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive common stock	$ 5,392,257	294,799	$18.29
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year	$ 2,738,019	288,562	$ 9.49
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	808	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive common stock	$ 2,738,019	289,370	$ 9.46

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 29, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 9.77	$ 9.49
Diluted earnings per share	$ 9.75	$ 9.46

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

22. ACQUISITION OF SUBSIDIARY WILL OBTAINED CONTROL

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Matrix	Design, integrated application, research, development, manufacture and sale of thread forming machinery	June 29, 2018	52	$240,480

Matrix was acquired in order to obtain the key technologies of the manufacturing equipment. For the details about the acquisition of Matrix, refer to Note 24 to the consolidated financial statements for the year ended December 31, 2018.

23. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On December 31, 2018, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 65% to 74%.

On November 30, 2018, the Company subscribed for additional new shares of Luren at a percentage different from its existing ownership percentage, increasing its continuing interest from 48% to 58%.

On March 2, 2017, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 58% to 65%.

On June 30, September 29 and October 31, 2017, the Company acquired additional shares of Luren, increasing its continuing interest from 47% to 48%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiaries.

24. OPERATING LEASE ARRANGEMENTS

The Company's future minimum lease payments on land, factory building, inventory warehouse and employee dormitory based on operating lease agreements are as follows:

Year	Amount
2019	$ 56,000
2020	35,538
2021	26,199
2022	21,033
2023	19,903
	$ 158,673

25. CAPITAL MANAGEMENT

To support the need to expand and enhance the plant and equipment, the Company has to maintain appropriate amount of capital. Therefore, the capital management of the Company 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 Company 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 Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2018

The Company's financial assets and liabilities at fair value through profit or loss are measured at fair value using Level 2 inputs, and the financial assets at fair value through other comprehensive income are measured at fair value using Level 1 inputs and Level 3 inputs.

December 31, 2017

The Company'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 year ended December 31, 2017.

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	
	2018	2017
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 282	$ -
Held for trading	-	548
Loans and receivables	-	6,304,690
Financial assets at amortized cost	8,480,801	-
Held-to-maturity financial assets	-	2,919
Financial assets measured at cost	-	317,144
Financial assets at FVTOCI		
Equity instruments	930,840	-
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	5,775	-
Held for trading	-	3,038
Financial liabilities at amortized cost	18,415,158	15,877,851

The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including from related parties) and refundable deposits.

The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost non-current 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 guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The Company's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including foreign 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 Company 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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Company 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 Company 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 Company does not hedge its investment in foreign operations.

The carrying amounts of the Company'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 30.

Sensitivity analysis

The Company 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, 2018 and 2017 would have decreased by $52,097 thousand and $40,220 thousand, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at floating interest rates.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Deposits in bank	$ -	$ 371,037
Cash flow interest rate risk		
Deposits in bank	1,289,174	624,165
Short-term borrowings	4,550,000	3,381,036
Long-term borrowings	6,397,130	7,418,602

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 Company's post-tax profit for the years ended December 31, 2018 and 2017 would decrease by $77,264 thousand and $84,456 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 Company. As at the end of the reporting period, the counterparties are reputable organizations; thus, the Company is not expected to have a significant credit risk.

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 Company's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 82% and 87% of the total trade receivables as of December 31, 2018 and 2017, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized bank loan facilities of $5,902,201 thousand and $6,764,432 thousand, respectively.

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

	Less Than 1 Year	**1-5 Years**	**5+ Years**
December 31, 2018			
Non-derivative financial liabilities			
Non-interest bearing	$ 7,455,153	$ -	$ -
Variable interest rate liabilities	6,154,194	3,069,057	1,723,879

	Less Than 1 Year	1-5 Years	5+ Years
	$13,609,347	$ 3,069,057	$ 1,723,879
Derivative financial liabilities			
Foreign exchange forward contracts	$ 5,775	$ -	$ -
December 31, 2017			
Non-derivative financial liabilities			
Non-interest bearing	$ 5,077,913	$ -	$ -
Variable interest rate liabilities	4,981,528	3,826,839	1,991,271
	$10,059,441	$ 3,826,839	$ 1,991,271
Derivative financial liabilities			
Foreign exchange forward contracts	$ 3,038	$ -	$ -

27. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other note, are summarized as follow:

a. Related party name and categories

Related Party Name	Related Party Categories
HIWIN Germany	Subsidiaries
HIWIN USA	Subsidiaries
HIWIN Japan	Subsidiaries
Eterbright	Subsidiaries
HIWIN Singapore	Subsidiaries
HIWIN Korea	Subsidiaries
HIWIN China	Subsidiaries
Luren	Subsidiaries
HIWIN Healthcare Corp.	Subsidiaries
HIWIN Italy	Subsidiaries
Matrix	Subsidiaries
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associates
HIWIN Mikrosystem	Others
HIWIN Investment and Holding Corporation	Others
HIWIN Technologies Foundation in Education (HIWIN Foundation)	Others
Taiwan Automation Intelligence and Robotics Association	Others (non-related party from August 9, 2017)

b. Operating transactions

1) Sales of goods

	For the Year Ended December 31	
	2018	2017
HIWIN China	$ 2,423,599	$ 1,296,660
Subsidiaries	5,255,732	2,916,251
Others	89,527	89,383
	$ 7,768,858	$ 4,302,294

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.

2) Purchases of goods

	For the Year Ended December 31	
	2018	2017
Others	$ 420,193	$ 137,956
Subsidiaries	48,820	9,185
	$ 469,013	$ 147,141

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

	For the Year Ended December 31	
	2018	2017
Non-operating income - dividend income (classified as other income)		
Others	$ 1,213	$ 344
Non-operating income - other income		
Subsidiaries	$ 16,482	$ 6,363
Others	240	270
	$ 16,722	$ 6,633
Manufacturing and operating expenses		
Subsidiaries	$ 13,841	$ 5,711
Others	6,381	11,410
Associates	4,226	-
	$ 24,448	$ 17,121
Operating expenses - donations		
HIWIN Foundation	$ 34,480	$ 17,500

	December 31	
	2018	2017
4) Trade receivables		
HIWIN China	$ 783,464	$ 643,522
HIWIN Japan	757,241	458,354
Subsidiaries	1,597,703	1,070,184
	$ 3,138,408	$ 2,172,060
5) Other receivables (classified as other current assets)		
Subsidiaries	$ 5,207	$ 3,930
6) Trade payables		
Others	$ 16,057	$ 31,820
Subsidiaries	18,885	10,025
	$ 34,942	$ 41,845
7) Other payables		
Subsidiaries	$ 2,475	$ 2,365
Others	1,698	438
	$ 4,173	$ 2,803

	December 31	
	2018	2017
8) Prepayments for machinery and equipment		
Subsidiaries	$ 101,562	$ 74,719

c. Loans to related parties

	December 31	
	2018	2017
Other receivables (classified as other current assets)		
HIWIN Italy	$ 55,582	$ 72,178

	For the Year Ended December 31	
	2018	2017
Interest income		
Subsidiaries	$ 1,338	$ 3,988

The Company provided HIWIN Italy with short-term loans at rates comparable to market interest rates.

d. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ 44,206	$ 31,067
Others	-	2,050
	$ 44,206	$ 33,117

e. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Subsidiaries	$ 5,075	$ -	$ 564	$ -
Others	300	-	20	-
	$ 5,375	$ -	$ 584	$ -

f. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries as of December 31, 2018, refer to Table 2.

g. Acquisition of additional interest in related parties

	For the Year Ended December 31	
	2018	2017
Eterbright	$ 673,205	$ 473,668
HIWIN Japan	-	109,560
Matrix	240,480	-
HIWIN Italy	228,540	-
Luren	154,874	8,158
	$ 1,297,099	$ 591,386

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 421,983	$ 246,494
Post-employment benefits	814	3,744
Share-based payments	2,281	-
	$ 425,078	$ 250,238

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term and long-term bank loans:

	December 31	
	2018	2017
Property, plant and equipment	$12,340,522	$11,171,913

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $271,350 thousand and $209,991 thousand, respectively.

b. As of December 31, 2018 and 2017, the Company had a commitment to buy property, plant and equipment for $1,731,391 thousand and $2,238,905 thousand, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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, 2018			December 31, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 35,681	30.715	$ 1,095,945	$ 24,510	29.76	$ 729,404
EUR	45,941	35.20	1,617,117	35,003	35.57	1,245,042
JPY	3,244,356	0.2782	902,580	1,839,028	0.2642	485,871
CNY	796,802	4.472	3,563,299	595,961	4.565	2,720,562
Non-monetary items						
USD	24,252	30.715	744,899	23,191	29.76	690,152
EUR	51,540	35.20	1,814,220	41,069	35.57	1,460,832
ILS	10,870	8.152	88,615	8,729	8.566	74,775
KRW	339,891	0.0278	9,432	1,948,573	0.0281	54,794
CNY	422,880	4.472	1,891,120	360,676	4.565	1,646,486
JPY	1,102,151	0.2782	306,618	298,024	0.2642	78,738
GBP	4,065	38.88	158,046	-	39.96	-
Financial liabilities						
Monetary items						
USD	10,011	30.715	307,501	4,786	29.76	142,427
EUR	4,180	35.20	147,127	2,077	35.57	73,893
JPY	695,135	0.2782	193,387	390,001	0.2642	103,038
CNY	4,209	4.472	18,823	3,457	4.565	15,779
Non-monetary items						
SGD	1,046	22.48	23,505	426	22.26	9,487

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.149	$ 23,850	30.432	$ (45,615)
JPY	0.2730	41,471	0.2713	(8,561)
EUR	35.61	22,004	34.35	69,635
CNY	4.560	(31,504)	4.507	(7,526)
		$ 55,821		$ 7,933

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)
2) Endorsements/guarantees provided. (Table 2)
3) Marketable securities held (excluding investments 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 26)
10) Information on investees. (Table 8)

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 9)

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. (Table 6)

   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 receipt of services. (None)

TABLE 1

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	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 Company	HIWIN Italy	Other receivables from related parties	Yes	$ 114,723	$ 55,582	$ 55,582	1.76%	1	Sales $771,056	-	$ -	-	$ -	$ 299,200	$ 7,254,138
0	The Company	Eterbright	Other receivables from related parties	Yes	510,000	-	-	1.76%	2	-	Operating capital	-	Promissory note and equipment	630,000	2,311,515	7,254,138
1	Luren	Luren Japan	Other receivables from related parties	Yes	3,074	-	-	1.895%	1	Sales 23,726	-	-	-	-	6,955	31,275
1	Luren	Luren Shanghai	Other receivables from related parties	Yes	13,234	11,208	11,208	1.895%	1	Sales 66,982	-	-	-	-	13,461	31,275

Note 1: The total amount for lending to a company for funding shall not exceed 10% of the net assets of the Company 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 total amount for lending to a company for funding shall not exceed 10% of the net assets of Luren 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. When the lending is for business relationship by the Company and Luren, the lending shall be subject to not only the restriction set forth in the above instructions but also the principle that the business has occurred. The amount for lending to a company for funding shall not exceed the maximum amount of sales or purchases in the latest year or the latest twelve months when the lending occurs.

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 Company’s net assets as shown in its latest financial statements. For the financing provided by each subsidiary, the maximum amount should not exceed 20% of Luren’s net assets as shown in its latest financial statements.

Note 4: The ending balance amount has been approved by the board of directors.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 Year	Outstanding Endorsement/ Guarantee at the End of the Year	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 Company	Eterbright	Subsidiary	$ 2,311,515	$ 1,600,000	$ 1,600,000	$ 954,000	$ -	6.6	$ 8,463,161	Yes	-	-
0	The Company	HIWIN Singapore	Subsidiary	112,400	92,145 (USD 3,000)	92,145 (USD 3,000)	57,191 (USD 1,862)	-	0.4	8,463,161	Yes	-	-
0	The Company	HIWIN Korea	Subsidiary	199,800	138,218 (USD 4,500)	138,218 (USD 4,500)	99,824 (USD 3,250)	-	0.6	8,463,161	Yes	-	-
0	The Company	HIWIN Japan	Subsidiary	600,077	600,077 (JPY 2,157,000)	600,077 (JPY 2,157,000)	-	-	2.5	8,463,161	Yes	-	-
0	The Company	Luren	Subsidiary	400,000	400,000	400,000	90,000	-	1.7	8,463,161	Yes	-	-

Note 1: The maximum is 10% of the net assets of the Company as shown in the latest financial statements. In addition, the amount shall not exceed the endorsee’s paid-in capital. However, the amount of guarantee to subsidiaries are not subject to the above restrictions after the approval of the board of director and the amount shall not exceed 50% of the Company’s net assets in the latest financial statements.

Note 2: The maximum amount of the total guarantee is 35% of the Company’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, 2018.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Government bonds							
	Central Government Bonds 1999-3	-	Financial assets at amortized cost - non-current	-	$ 2,803	-	$ 2,803	
	Capital stock							
	Kaland	-	Financial assets at fair value through other comprehensive income - non-current	323,289	208,326	19	208,326	
	Sunengine	-	Financial assets at fair value through other comprehensive income - non-current	2,063,681	-	10	-	
	HIWIN Mikrosystem	-	Financial assets at fair value through other comprehensive income - non-current	9,516,113	719,894	9	719,894	
	Taichung International Country Club	-	Financial assets at fair value through other comprehensive income - non-current	1	2,620	-	2,620	
	King Kong Iron Work Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	76,300	-	-	-	
HIWIN Germany	Share capital							
	HIWIN (Schweiz) GmbH	-	Financial assets at fair value through other comprehensive income - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

Note : Information about the investment in subsidiary and associates; please see Tables 8 and 9.

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, 2018
(In Thousands of New Taiwan Dollars)

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
The Company	Capital stock	Investments accounted for using equity method	Eterbright	Subsidiary	138,838,559	$ 394,413	67,320,508	$ 673,205	-	$ -	$ -	$ -	$ (890,011) (Note 1)	171,449,427 (Note 2)	$ 177,607

Note 1: Including investment loss accounted for using equity method of $692,017 thousand and decrease in net assets of $197,994 thousand from subscribing for additional new shares at a percentage different from its existing ownership percentage.

Note 2: Due to the capital reduction for offsetting the deficit, the shares held decreased by 34,709,640 shares.

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, 2018
(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 Company	Yunlin Technology Industrial Park, the factory in shiliuban	2018.3.22	$ 358,000	$ 336,516	Reiju Construction Co., Ltd.	None	-	-	-	$ -	Contractors bid	Factory	-

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, 2018
(In Thousands of New Taiwan Dollars)

Company Name	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	% to Total	
The Company	HIWIN China	Subsidiary	Sale	$(2,423,559)	(10)	O/A 120 days	$ -	-	$ 783,464	11	
	HIWIN Germany	Subsidiary	Sale	(1,897,709)	(8)	O/A 90-120 days	-	-	395,954	6	
	HIWIN Japan	Subsidiary	Sale	(1,449,817)	(6)	O/A 150 days	-	-	757,241	11	
	HIWIN Italy	Subsidiary	Sale	(771,056)	(3)	O/A 180 days	-	-	625,989	9	
	HIWIN USA	Subsidiary	Sale	(563,025)	(2)	O/A 120 days	-	-	244,421	3	
	HIWIN Korea	Subsidiary	Sale	(367,991)	(1)	O/A 180 days	-	-	215,765	3	
	HIWIN Mikrosystem	Others	Purchase	420,193	3	Net 120 days after monthly closing	-	-	(16,056)	-	
HIWIN China	The Company	Parent Company	Purchase	2,423,559	91	O/A 120 days	-	-	(783,464)	(99)	
HIWIN Germany	The Company	Parent Company	Purchase	1,897,709	65	O/A 90-120 days	-	-	(395,954)	(76)	
	HIWIN Mikrosystem	Others	Purchase	256,099	9	O/A 90 days	-	-	(46,243)	(9)	
	HIWIN S.R.O	Associate	Sale	(224,099)	(6)	O/A 45 days	-	-	20,463	11	
HIWIN Japan	The Company	Parent Company	Purchase	1,449,817	93	O/A 150 days	-	-	(757,241)	(95)	
HIWIN Italy	The Company	Parent Company	Purchase	771,056	80	O/A 180 days	-	-	(625,989)	(88)	
HIWIN USA	The Company	Parent Company	Purchase	563,025	59	O/A 120 days	-	-	(244,421)	(78)	
	HIWIN Mikrosystem	Others	Purchase	283,620	30	O/A 90 days	-	-	(60,968)	(19)	
HIWIN Korea	The Company	Parent Company	Purchase	367,991	78	O/A 180 days	-	-	(215,765)	(98)	

Note: Unrealized gains with HIWIN China are $168,650 thousand.

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, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)		Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
						Amount	Actions Taken		
The Company	HIWIN China	Subsidiary	Trade receivables from related parties	$ 783,464	3.40	$ -	-	$ 624,438	$ -
	HIWIN Japan	Subsidiary	Trade receivables from related parties	757,241	2.39	-	-	234,239	-
	HIWIN Germany	Subsidiary	Trade receivables from related parties	395,954	4.56	-	-	182,414	-
	HIWIN USA	Subsidiary	Trade receivables from related parties	244,421	3.07	-	-	107,753	-
	HIWIN Korea	Subsidiary	Trade receivables from related parties	215,765	2.51	-	-	83,944	-
	HIWIN Italy	Subsidiary	Trade receivables from related parties	625,989	1.52	-	-	110,732	-
	HIWIN Italy	Subsidiary	Other receivables from related parties	55,663	-	-	-	-	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	As of December 31, 2018 Shares	As of December 31, 2018 %	As of December 31, 2018 Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
The Company	HIWIN Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	$ 224,257	$ 452,797	-	100	$ 1,289,175	$ 323,618	$ 323,618	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	423,670	127,001	127,001	Subsidiary
	HIWIN Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	126,122	219,527	219,527	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	121,444	43,642	17,457	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	2,983,554	2,310,349	171,449,427	74	177,607	(1,070,898)	(692,017)	Subsidiary
	HIWIN Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(42,366)	(13,844)	(13,844)	Subsidiary
	HIWIN Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(45,214)	(44,416)	(44,416)	Subsidiary
	Luren	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	521,983	367,109	17,647,761	58	261,205	(230,617)	(122,859)	Subsidiary
	HIWIN Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,974	(23)	(23)	Subsidiary
	HIWIN Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	68,040	-	100	(63,471)	51,947	49,258	Subsidiary
	Matrix	United Kingdom	Design, integrated application, research, development, manufacture and sale of thread forming machinery	240,480	-	2,400,000	52	221,274	396	(14,860)	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	58,088 (EUR 1,650)	(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)	-	-	-	(Note 1)	(Note 1)	Subsidiary
Luren	Luren Precision (Japan) Inc.	Japan	Sale of gear cutting tools and machinery	7,956	7,956	-	-	(Note 2)	(Note 1)	(Note 1)	Indirectly owned subsidiary
	Luren Precision Chicago Co., Ltd.	United States of America	Sale of gear cutting tools and machinery	14,721	14,721	460,000	100	-	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Luren Precision (Japan) Inc. completed its liquidation procedures in June, 2018.

Note 3: Information on investment in Mainland China, please see Table 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YIFU Finance	Finance lease	$ 258,405 (USD 8,413)	(Note 1)	$ 236,266 (USD 8,168)	$ -	$ 96,533 (USD 3,151)	$ 139,733 (USD 5,017)	$ 201,456	19	(Note 3)	$ 208,326	$ 20,062 (USD 655)
HIWIN China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,498,040 (CNY 300,000)	-	-	1,498,040 (CNY 300,000)	283,651	100	$ 283,651 (Note 4)	1,722,470	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(3,540)	58	(1,737) (Note 4)	(7,514)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Company	$ 1,637,773 (USD 5,017 and CNY 300,000)	$ 1,633,393 (USD 9,500 and CNY 300,000)	(Note 5)
Luren	$ 14,047 (USD 439)	$ 14,047 (USD 439)	$ 93,825 (Note 5)

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 financial asset measured at fair value through other comprehensive income; thus, no investment gain or loss is recognized.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 5: 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 Company had acquired the IDB approval of the Company'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.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			$ 390
Foreign currency			1,268
			1,658
Cash in banks			
Checking accounts			142,393
Demand deposits			453,066
Foreign deposits			
USD	6,472	30.715	198,774
EUR	5,802	35.20	204,241
CNY	63,771	4.472	285,186
JPY	522,426	0.2782	145,339
GBP	66	38.88	2,568
			1,431,567
			$ 1,433,225

STATEMENT 2

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Non-related parties	
Company 26	$ 20,245
Company 19	13,240
Others (Note)	158,077
	191,562
Less: Allowance for impairment loss	(1,915)
	$ 189,647

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 28	$ 681,171
Company 9	324,593
Company 14	294,755
Company 25	288,188
Company 22	254,785
Others (Note)	1,860,221
	3,703,713
Less: Allowance for impairment loss	(3,991)
	$ 3,699,722

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

STATEMENT 4

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Market Price (Note 1)
Merchandise	$ 3,346	$ 3,346
Finished goods	809,397	1,617,153
Work in process	1,633,173	1,633,173
Raw materials	3,195,287	3,195,287
Inventories in transit	336,073	336,073
	$ 5,977,276	$ 6,785,032

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

Note 2: Inventories are not provided as a collateral.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2018 as Restated		Additions		Decrease		Balance, December 31, 2018		
Investees	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	Collateral
HIWIN Mikrosystem	8,662,082	$ 179,023	1,149,031	$ 555,621	295,000	$ 14,750	9,516,113	$ 719,894	None
Sunengine (Note 1)	4,925,255	15,338	-	-	2,861,574	15,338	2,063,681	-	None
Taichung International Country Club	1	2,100	-	520	-	-	1	2,620	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
Kaland (Note 2)	323,289	294,045	-	10,814	-	96,533	323,289	208,326	None
		$ 490,506		$ 566,955		$ 126,621		$ 930,840	

Note 1: The number of shares reduced due to capital reduction for offsetting the deficit.

Note 2: The amount of decrease due to return of capital.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2018		Additions		Decrease (Note 2)		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and other comprehensive Income (loss) of Subsidiaries and Associates in Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Unrealized Gain	Balance, December 31, 2018			Net Equity Value	Original Investment Cost December 31, 2018	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
HIWIN Germany	-	$ 1,181,668	-	$ -	-	$ (228,540)	$ 221,964	$ 323,618	$ (18,236)	$ (191,299)	-	100	$ 1,289,175	$ 1,693,033	$ 224,257	Nil
HIWIN USA	2,148,000	376,012	-	-	-	-	-	127,001	16,638	(95,981)	2,148,000	100	423,670	587,808	353,844	Nil
HIWIN Japan	54,200	(11,851)	-	-	-	-	-	219,527	8,354	(89,908)	54,200	100	126,122	306,618	817,642	Nil
Eterbright	138,838,559	394,413	67,320,508	673,205	(34,709,640)	-	(197,994)	(692,017)	-	-	171,449,427	74	177,607	177,607	2,983,554	Nil
HIWIN Singapore (Note 1)	5,000,000	(19,053)	-	-	-	-	-	(13,844)	(174)	(9,295)	5,000,000	100	(42,366)	(23,505)	117,550	Nil
HIWIN Korea (Note 1)	1,440,000	29,377	-	-	-	-	-	(44,416)	(946)	(29,229)	1,440,000	100	(45,214)	9,432	202,945	Nil
HIWIN China	-	1,554,905	-	-	-	-	-	283,651	(39,017)	(77,069)	-	100	1,722,470	1,891,120	1,498,040	Nil
Luren	11,651,778	260,631	7,743,750	154,874	(1,747,767)	-	(33,640)	(120,338)	-	(322)	17,647,761	58	261,205	85,563	521,983	Nil
HIWIN Healthcare Corp.	100,000	2,904	-	-	-	-	-	(23)	93	-	100,000	100	2,974	2,974	3,108	Nil
HIWIN Italy (Note 1)	-	(30,630)	-	228,540	-	-	(221,964)	49,258	(1,253)	(87,422)	-	100	(63,471)	121,187	296,580	Nil
Matrix	-	-	2,400,000	240,480	-	-	-	(14,860)	(4,027)	(319)	2,400,000	52	221,274	143,345	240,480	Nil
		$ 3,738,376		$ 1,297,099		$ (228,540)	$ (231,634)	$ 117,557	$ (38,568)	$ (580,844)			$ 4,073,446	$ 4,995,182	$ 7,259,983	
Investments in associates																
Mega-Fabs	240,000	$ 107,604	-	$ -	-	$ -	$ -	$ 17,457	$ (3,617)	$ -	240,000	40	$ 121,444	$ 88,615	$ 42,444	Nil

Note 1: The balance, December 31, 2018 classificated as credit balance of investments accounted for using the equity method.

Note 2: The number of shares decrease due to capital reduction for offsetting deficit and the amount decrease due to return of capital.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF SHORT-TERM BANK BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Loans for export sales			
The Export-Impure Bank of the Republic of China, Taichung Branch	108.12.17	0.80	$ 800,000
Line of credit borrowing			
Bank of Taiwan, Taichung Industrial Park Branch	108.3.25	0.95	700,000
Bank SinoPac, Xitun Branch	108.1.25	0.89	330,000
Land Bank of Taiwan, Taichung Branch	108.1.25	0.98	100,000
Bank of China, Taipei Branch	108.6.17	0.85	400,000
Bangkok Bank Public Company Ltd., Taichung Branch	108.1.25	0.93	350,000
HSBC Bank (Taiwan) Limited, Nankang Branch	108.3.21	0.85	300,000
China Construction Bank Corporation Limited, Taipei Branch	108.6.17	0.92	700,000
Mizuho Bank Ltd., Taichung Branch	108.3.27	0.82	870,000
			3,750,000
			$ 4,550,000

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNREALTED PARTIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	$ 5,165,874

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

STATEMENT 9

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWING
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2011.5.23-2031.11.21	Repayable monthly or semiannually form June 23, 2004, in 6, 36, 48, 60, 144 and 180 installments	1.30-1.76	$ 1,418,495	$ 4,284,086	$ 5,702,581
The Export-Impure Bank of the Republic of China, Taichung Branch	2016.2.1-2023.12.28	Repayable semiannually from August 1, 2017, in 10 installments	1.03-1.05	178,000	505,000	683,000
Land Bank of Taiwan, Taichung Branch	2007.6.4-2020.6.4	Repayable monthly from July 4, 2007, in 156 installments	1.47	7,699	3,850	11,549
				$ 1,604,194	$ 4,792,936	$ 6,397,130

Note 1: Property, plant and equipment pledged as collateral in amount of 12,340,522 thousand for bank borrowings.

Note 2: The period are the earliest loan date and the last due date of the multiple borrowings.

STATEMENT 10

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 18,265	$15,256,462
Ballscrews	About 1,803	6,504,003
Other		2,848,766
		24,609,231
Less: Sales return		(5,177)
Sales discount		(3,836)
Sales		$24,600,218

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATIONG COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials, beginning of year	$ 1,390,070	
Raw materials purchased	8,436,645	
Sale of raw materials	(69,812)	
Raw materials scrapped	(18,103)	
Raw materials, end of year	(2,851,865)	
Raw materials used		$ 6,886,935
Supplies, beginning of year	450,687	
Supplies purchased	3,889,723	
Sale of supplies	(53,000)	
Transferred to manufacturing expense and prepayments for machinery and equipment	(3,527,374)	
Supplies, end of year	(760,036)	
Supplies used		-
Direct labor		3,468,509
Manufacturing expenses		5,702,014
Manufacturing cost		16,057,458
Work in process, beginning of year		1,318,183
Work in process, end of year		(1,644,716)
Cost of finished goods		15,730,925
Finished goods, beginning of year		421,398
Finished goods, end of year		(877,314)
Transferred to research and development and selling expense		(233,320)
Other adjustment		(64,639)
Cost of goods sold		14,977,050
Merchandise, beginning of year	2,774	
Merchandise purchased	7,470	
Transferred to manufacturing expense	(1,476)	
Transferred from prepayment for machinery and equipments	29,779	
Merchandise, end of year	(3,346)	
Cost of merchandise sold		35,201
Cost of raw materials and supplies sold		122,812
Reversal of inventory write-downs		(1,000)
Loss from inventories scraps		18,103
Maintenance and warranty expense		23,729
Unallocated fixed overhead		107,606
Revenue from sale of scraps		(111,093)
Operating Costs		$15,172,408

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marking Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	$ 134,928	$ 664,350	$ 657,478	$ 1,456,756
Depreciation expense	7,278	77,951	76,792	162,021
Donation	-	67,691	-	67,691
Shipping expense	74,964	843	2,053	77,860
Others	261,196	295,255	448,315	1,004,766
Total	$ 478,366	$ 1,106,090	$ 1,184,638	$ 2,769,094