

Stock Code: 2049

**Hiwin Technologies Corp.**  
**Handbook for the 2018 Annual Meeting of**  
**Shareholders**

**Time: June 27, 2018 ( Wednesday ) , 9:00 am**

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

# ***DISCLAIMER***

*THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2016 ANNUAL GENERALMEETING (THE “HANDBOOK”) OF HIWIN TECHNOLOGIES CORP. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.*

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# **Hiwin Technologies Corp.**

## **Procedure for the 2018 Annual Meeting of Shareholders**

Call the Meeting to Order

Chairperson Remarks

Report on Company Affairs

Adoptions

Proposals and Discussion

Questions and Motions

Adjournment

# **Hiwin Technologies Corp.**

Year 2018

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

**Time:** 9:00 a.m. on June 27, 2018 (Wednesday)

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

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

### **Chairperson Remarks**

### **Report on Company Affairs**

1. 2017 Business Report
2. 2017 Audit Committee's Review Report
3. Report on 2017 employees' profit sharing bonus and directors' compensation

### **Adoptions**

1. Adoption of the 2017 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2017 Earnings

### **Proposals and Discussion**

1. Proposal for a new shares issue through capitalization of retained earnings

### **Questions and Motions**

### **Adjournment**

# Report on Company Affairs

## **Report No. 1**

2017 Business Report, please refer to Chinese version, Appendix 1, P.6~P.7 for details.

## **Report No. 2**

2017 Audit Committee's Review Report, please refer to Chinese version, Appendix 2, P.8 and Appendix 3~4, P.9~P.30 for details.

## **Report No. 3**

Report on 2017 employees' profit sharing bonus and directors' compensation.

Items	Proposed by the Board	Note
Employees' profit	NTD\$231,071,599	Cash
Directors' compensation	NTD\$115,535,800	

# Adoptions

**Proposed by the Board**

**Item 1.**

**Proposal:**

Adoption of the 2017 Business Report and Financial Statements.

**Explanation:**

- (1) The Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Ms. Karen Yen and Mr. Rock Tseng of Deloitte Taiwan. Also Business Report and Financial Statements have been approved by the Board and examined by the supervisors of the Company.
- (2) The 2017 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements could be referred to the Chinese version, Appendix 1, P.6~P.7 and Appendix 3&4, P.9~P.30.

**Resolution:**

**Proposed by the Board**

**Item 2.**

**Proposal:**

Adoption of the Proposal for Distribution of 2017 Earnings.

**Explanation:**

- (1) Please refer to the Chinese version, Appendix 5, P.31 of the 2017 profit distribution table.
- (2) According to the Company's Articles of Incorporation with Article 31-1 & 32.
- (3) For the further development of company business, the Company proposed to distribute share dividend NTD\$0.6 per share and dividend NTD\$3.2 per share, total NTD\$3.8per share ( cash dividend NTD\$3.5 and stock dividend NTD\$0.3 ) .

- ( 4 ) The Company distributes the 2017 earnings first in accordance with Article 66-6 of the Income Tax law.
- ( 5 ) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the chairman be authorized to resolve the record date, ex-dividend date, and other relevant issue.

**Resolution:**



# Proposals and Discussion

**Proposed by the Board**

## **Item 1.**

### **Proposal:**

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

### **Explanation:**

- (1) For the further development of company business, the management plans to withdraw NTD\$84,047,190 from distributable earnings to issue dividends stocks (8,404,719 shares), the Company's capital is NTD\$2,885,620,260(288,562,026 shares) after the capitalization.
- (2) The shares are determined by the shareholding ratio of shareholders. Shareholding of less than one share shall be paid in cash in accordance with Article 240 of the Company Act. Fractional shares will be purchased by people arranged by the chairman authorized by the Board.
- (3) The shareholder rights and obligations of the new shares are the same as those of existing shares.
- (4) After the approval of the Annual Meeting of Shareholders and the competent authority, the new shares will be distributed on a record date determined by the Board.
- (5) Above capitalization issues are authorized the board to deal with if authorities or circumstance changes.

### **Resolution:**

# Questions and Motions

# Adjournment

## **2017 Business Report**

**Dear Shareholders,**

The consolidated revenue of HIWIN Technologies Corporation was 21.16 billion NTD in 2017, which is the record high in history. With the growth of 31.3% compared to 16.12 billion NTD in 2016, which is much higher rate than domestic overall manufacturing industry average 5.9 %, machinery and equipment industry's average 10.8%. Global economy has recovered since last year. Smart manufacturing is the dominant trend, the aggressive expansions from automation, semiconductor, panel display, smart phone, automobile, and new energy industries, which lead to the key components supply cannot meet such global booming demand. HIWIN's strategy of long-term investing in branding & marketing, product R&D, and continuously expanding the capacity, HIWIN sets the solid foundation for growth and showed its strong dynamics and synergy in managing the business.

In the market expansion, we finally had significant breakthrough in Japan with our efforts, which HIWIN entered the supply chain of Japanese major automobile makers, semiconductor, as well as the well-known medium and large enterprises. The top four Japanese automobile makers requested their equipment suppliers to use HIWIN products. We expect to become the second largest motion system supplier in Japanese market in the future. HIWIN also made important progress in European market. We had partnered with one renowned German automobile maker. The semiconductor global leader and its equipment suppliers had actively set up strategic partnership with HIWIN, requesting their global automation equipment to be supplied by HIWIN as soon as possible.

To meet the demands in intelligent automation and robot, we are ready for the concept of smart manufacturing. The new factories of Phase 3 in the Yunlin Science and Technology Park and Phase 1 in the Chiayi Dapumei Precision Machinery Park had started mass production, which increased our capacity for the early-processes and post-processes. Phase 2 in Taichung Precision Machinery Innovation Technology Park will be set up as the R&D center and capacity expansion for industrial and medical robots. The US subsidiary has moved into the new factory that built on HIWIN's property, will increase the capacity and after service capability. Phase 1 factory of Chinese subsidiary had completed. Had set up the post-processes and robot production capability, it will also provide timely supply to the demand of Chinese market with logistics center. We're also proactively under evaluating the expansion projects in Japan, Korea, and Italy.

These expansions will add dynamics on becoming the No. one leading brand in the world.

We received many recognitions in R&D innovation and business performance both domestically and internationally. HIWIN ranked No.5 for the market value increase rate on the Nikkei Asia300 Index by Nikkei Asian Review. The electrical gripper received “Good Design Award” in Japan. We received the Gold and Silver awards in Taiwan Excellence Award by the Ministry of Economic Affairs for 18 consecutive years; ranked in top 5% in public company by the Corporate Governance Centre in 2 consecutive years; received Gold award in “Corporation Sustainability Report - electronic & information manufacturing group” by Taiwan Institute for Sustainable Energy and “Sustainable Practice Award” by British Standards Institution (BSI); received the honor of “CommonWealth Corporate Social Responsibility” in 11 consecutive years from 2007 to 2017. These recognitions are the results of the great efforts from HIWIN’s management team spent on R&D and business management.

Education is the core value for HIWIN’s Corporate Social Responsibility (CSR) activities. The 14th HIWIN Mechanical Master Thesis Award and the 7th HIWIN Excellence Mechanical Doctoral Thesis Award have aroused enthusiastic participation from university professors and students of mechanical field in the four districts of Cross-Strait and cultivated future mechanical talents. HIWIN actively promotes the 16th Taiwan Automation Intelligence and Robotics Association on Automation Engineer Certification Exam and the 2nd Robotic Engineer Certification Exam to raise the competence level in the mechanical engineering and smart automation profession. The 10th “HIWIN Smart Robotic” competition offers a great chance for demonstrating creativity for the young generation with passion in robotic field.

Looking ahead for 2018, the world economy is growing stably. The demand of smart manufacturing and smart automation are high rising, as well as the broad expanding applications in Artificial Intelligence and rapid growth in new industry and equipment by emphasis on environmental issue. They all require the motion component parts and robotic products from HIWIN. With our domestic and global customers, we will be the partner to move for industry upgrade in the future. We deeply believe that HIWIN will be the best partner for our customers for Industrie 4.0. We would like to receive continuously support and suggestion from all our shareholders, government, and the banks in the coming year. We in HIWIN Technologies Corporation will continue our best effort and create better business record for our performance in the new era.

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

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to Audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earning allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Hiwin Technologies Corporation  
Chairman of the Audit Committee

Mach 22, 2018

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hiwin Technologies Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Hiwin Technologies Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 are as follows:

Revenue recognition

The sales model of the Group mainly relies on distribution channels. Revenue from the sale of goods is recognized when the Group transfers to the buyer the significant risks and rewards of the ownership of the goods. 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 earned through the 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 yearend.

Valuation and impairment assessment of inventory

As of December 31, 2017, the carrying amount of inventory was \$5,394,388 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 10 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, 2017 and 2016 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao-Fang Yen and Done-Yuin Tseng.

Deloitte & Touche  
Taichung, Taiwan  
Republic of China

March 22, 2018

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,752,876	7	\$ 2,101,898	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	548	-	6,347	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 9)	792,084	2	576,418	2
Notes receivable from related parties, net (Notes 4, 5 and 27)	2,835	-	1,347	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 9)	3,588,337	10	4,007,952	12
Trade receivables from related parties, net (Notes 4, 5 and 27)	28,527	-	18,100	-
Inventories (Notes 4, 5 and 10)	5,394,388	14	4,457,676	14
Other current assets (Notes 6, 15, 27 and 28)	<u>552,027</u>	<u>2</u>	<u>498,372</u>	<u>1</u>
Total current assets	<u>13,111,622</u>	<u>35</u>	<u>11,668,110</u>	<u>35</u>
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Note 4)	2,919	-	3,033	-
Financial assets measured at cost - non-current (Notes 4 and 8)	320,464	1	354,464	1
Investments accounted for using equity method (Notes 4 and 12)	161,910	-	138,420	1
Property, plant and equipment (Notes 4, 13, 27 and 28)	21,303,831	57	17,796,029	54
Goodwill (Note 4)	177,915	1	192,388	1
Deferred tax assets (Notes 4 and 21)	262,196	1	247,164	1
Prepayments for machinery and equipment (Notes 4 and 28)	1,873,978	5	2,323,606	7
Refundable deposits	59,938	-	70,959	-
Long-term prepayments for lease (Notes 15 and 28)	170,331	-	85,316	-
Other non-current assets (Note 9)	<u>128,454</u>	<u>-</u>	<u>87,036</u>	<u>-</u>
Total non-current assets	<u>24,461,936</u>	<u>65</u>	<u>21,298,415</u>	<u>65</u>
TOTAL	<u>\$ 37,573,558</u>	<u>100</u>	<u>\$ 32,966,525</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 4,951,437	13	\$ 4,721,176	14
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,038	-	2,082	-
Notes payable	8,815	-	10,905	-
Trade payables to unrelated parties	4,061,777	11	2,078,091	6
Trade payables to related parties (Note 27)	241,775	1	163,514	1
Other payables (Notes 17 and 27)	1,744,921	5	1,296,836	4
Current tax liabilities (Notes 4 and 21)	347,338	1	91,951	-
Current portion of long-term borrowings (Notes 16 and 28)	1,754,159	5	2,103,196	6
Other current liabilities (Note 4)	<u>205,479</u>	<u>-</u>	<u>188,453</u>	<u>1</u>
Total current liabilities	<u>13,318,739</u>	<u>36</u>	<u>10,656,204</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 28)	7,087,273	19	7,051,379	21
Deferred tax liabilities (Notes 4 and 21)	238,446	-	174,895	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	319,857	1	275,387	1
Other non-current liabilities	<u>9,394</u>	<u>-</u>	<u>8,742</u>	<u>-</u>
Total non-current liabilities	<u>7,654,970</u>	<u>20</u>	<u>7,510,403</u>	<u>23</u>
Total liabilities	<u>20,973,709</u>	<u>56</u>	<u>18,166,607</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	2,801,573	7	2,746,640	9
Capital surplus	308,630	1	308,630	1
Retained earnings				
Legal reserve	1,893,024	5	1,760,342	5
Special reserve	265,533	1	91,624	-
Unappropriated earnings	11,275,276	30	9,459,908	29
Other equity	<u>(250,940)</u>	<u>(1)</u>	<u>(265,533)</u>	<u>(1)</u>
Total equity attributable to owners of the Corporation	16,293,096	43	14,101,611	43
NON-CONTROLLING INTERESTS	<u>306,753</u>	<u>1</u>	<u>698,307</u>	<u>2</u>
Total equity	<u>16,599,849</u>	<u>44</u>	<u>14,799,918</u>	<u>45</u>
TOTAL	<u>\$ 37,573,558</u>	<u>100</u>	<u>\$ 32,966,525</u>	<u>100</u>

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



# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 21,164,764	100	\$ 16,118,298	100
COST OF GOODS SOLD (Notes 10, 20 and 27)	<u>13,582,126</u>	<u>64</u>	<u>10,816,253</u>	<u>67</u>
GROSS PROFIT	<u>7,582,638</u>	<u>36</u>	<u>5,302,045</u>	<u>33</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	1,530,831	7	1,550,143	10
General and administrative expenses	1,515,397	7	1,369,327	8
Research and development expenses	<u>1,191,309</u>	<u>6</u>	<u>931,668</u>	<u>6</u>
Total operating expenses	<u>4,237,537</u>	<u>20</u>	<u>3,851,138</u>	<u>24</u>
PROFIT FROM OPERATIONS	<u>3,345,101</u>	<u>16</u>	<u>1,450,907</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	84,941	-	73,340	-
Finance costs (Notes 4 and 20)	(131,357)	(1)	(160,122)	(1)
Share of profit of associates accounted for using equity method (Notes 4 and 12)	23,399	-	19,158	-
Interest income (Note 4)	37,898	-	16,399	-
Other income (Note 27)	80,378	-	150,532	1
Net foreign exchange gain (loss) (Notes 4 and 30)	28,830	-	(378,412)	(2)
Other expenses	(41,005)	-	(8,866)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	(67,577)	-	35,561	-
Impairment loss (Notes 4 and 13)	<u>(548,473)</u>	<u>(2)</u>	<u>(8,800)</u>	<u>-</u>
Total non-operating income and expenses	<u>(532,966)</u>	<u>(3)</u>	<u>(261,210)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	2,812,135	13	1,189,697	7
INCOME TAX EXPENSE (Notes 4 and 21)	<u>560,615</u>	<u>3</u>	<u>228,920</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,251,520</u>	<u>10</u>	<u>960,777</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(53,292)	-	(3,697)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	8,357	-	3,840	-

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 17,610	-	\$ (209,194)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>(2,978)</u>	<u>-</u>	<u>35,694</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(30,303)</u>	<u>-</u>	<u>(173,357)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,221,217</u>	<u>10</u>	<u>\$ 787,420</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,738,019	13	\$ 1,326,815	8
Non-controlling interests	<u>(486,499)</u>	<u>(3)</u>	<u>(366,038)</u>	<u>(2)</u>
	<u>\$ 2,251,520</u>	<u>10</u>	<u>\$ 960,777</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,709,808	13	\$ 1,152,567	7
Non-controlling interests	<u>(488,591)</u>	<u>(3)</u>	<u>(365,147)</u>	<u>(2)</u>
	<u>\$ 2,221,217</u>	<u>10</u>	<u>\$ 787,420</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 9.77</u>		<u>\$ 4.74</u>	
Diluted	<u>\$ 9.75</u>		<u>\$ 4.72</u>	

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

(Concluded)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 19)									
	Capital Surplus			Retained Earnings			Other Equity Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
	Common Stock	Additional Paid-in Capital	Changes in Percentage of Ownership Interest in Subsidiaries	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2016	\$ 2,692,785	\$ 308,630	\$ 3,325	\$ 1,596,118	\$ 14,561	\$ 9,122,242	\$ (91,624)	\$ 13,646,037	\$ 854,693	\$ 14,500,730
Appropriation of 2015 earnings										
Legal reserve	-	-	-	164,224	-	(164,224)	-	-	-	-
Special reserve	-	-	-	-	77,063	(77,063)	-	-	-	-
Cash dividends - NT\$2.1 per share	-	-	-	-	-	(565,485)	-	(565,485)	-	(565,485)
Share dividends - NT\$0.2 per share	53,855	-	-	-	-	(53,855)	-	-	-	-
	53,855	-	-	164,224	77,063	(860,627)	-	(565,485)	-	(565,485)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	77,253	77,253
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	(3,325)	-	-	(128,183)	-	(131,508)	131,508	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	1,326,815	-	1,326,815	(366,038)	960,777
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(339)	(173,909)	(174,248)	891	(173,357)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	1,326,476	(173,909)	1,152,567	(365,147)	787,420
BALANCE AT DECEMBER 31, 2016	2,746,640	308,630	-	1,760,342	91,624	9,459,908	(265,533)	14,101,611	698,307	14,799,918
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)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	18,176	18,176
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	-
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

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,812,135	\$ 1,189,697
Adjustments for :		
Depreciation expenses	1,581,949	1,488,016
Amortization expenses	31,628	31,510
Reversal of impairment loss on receivables	(53,096)	(48,815)
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	2,490	(4,265)
Finance costs	131,357	160,122
Interest income	(37,898)	(16,399)
Share of profit of associates accounted for using equity method	(23,399)	(19,158)
Loss on disposal of property, plant and equipment	2,784	4,343
Impairment loss recognized on financial assets	34,000	8,800
Dividend income	(3,300)	(2,356)
Impairment loss recognized on non-financial assets	406,458	276,355
Unrealized foreign currency exchange loss (gain), net	(29,599)	88,506
Other	114	113
Changes in operating assets and liabilities		
Financial instruments held for trading	4,265	(1,864)
Notes receivable	(225,674)	(51,228)
Trade receivables	486,022	777,693
Inventories	(695,402)	795,758
Other current assets	(123,420)	207,347
Notes payable	(2,096)	4,889
Trade payables	2,046,559	10,115
Other payables	552,078	97,026
Other current liabilities	16,924	28,039
Net defined benefit liabilities	(8,822)	(5,233)
Cash generated from operations	6,906,057	5,019,011
Interest received	27,309	21,305
Dividend received	3,300	2,356
Interest paid	(131,171)	(160,974)
Income taxes paid	(239,523)	(453,128)
Net cash generated from operating activities	<u>6,565,972</u>	<u>4,428,570</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(3,555,837)	(2,604,124)
Proceeds from disposal of property, plant and equipment	4,475	13,624
Decrease in refundable deposits	10,600	36,976
Decrease in other financial assets	68,567	334,125
Decrease (increase) in other non-current assets	(68,861)	181,650
Increase in prepayments for machinery and equipment	(1,785,874)	(1,477,421)

(Continued)

# HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Increase in prepayments for lease	\$ (89,502)	\$ -
Dividend received from associates	<u>3,961</u>	<u>3,989</u>
Net cash used in investing activities	<u>(5,412,471)</u>	<u>(3,511,181)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	232,065	(1,410,118)
Proceeds from long-term borrowings	1,830,647	3,321,942
Repayments of long-term borrowings	(2,139,872)	(1,779,721)
Repayments of finance lease payable	-	(2,645)
Increase (decrease) in other non-current liabilities	928	(146)
Dividends paid	(439,462)	(565,485)
Acquisition of additional shares in subsidiary	(8,156)	-
Changes in non-controlling interests	<u>26,332</u>	<u>77,253</u>
Net cash used in financing activities	<u>(497,518)</u>	<u>(358,920)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(5,005)</u>	<u>(65,934)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	650,978	492,535
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,101,898</u>	<u>1,609,363</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,752,876</u>	<u>\$ 2,101,898</u>

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

(Concluded)