Hiwin Technologies Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HIWIN TECHNOLOGIES CORPORATION

By:

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Eric Y. T. Chuo
President

March 22, 2018

Deloitte.

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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)	552,027	2	498,372	1
Total current assets	13,111,622	35	11,668,110	35
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)	128,454	-	87,036	-
Total non-current assets	24,461,936	65	21,298,415	65
TOTAL	$ 37,573,558	100	$ 32,966,525	100
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)	205,479	-	188,453	1
Total current liabilities	13,318,739	36	10,656,204	32
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	9,394	-	8,742	-
Total non-current liabilities	7,654,970	20	7,510,403	23
Total liabilities	20,973,709	56	18,166,607	55
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	(250,940)	(1)	(265,533)	(1)
Total equity attributable to owners of the Corporation	16,293,096	43	14,101,611	43
NON-CONTROLLING INTERESTS	306,753	1	698,307	2
Total equity	16,599,849	44	14,799,918	45
TOTAL	$ 37,573,558	100	$ 32,966,525	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, 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)	13,582,126	64	10,816,253	67
GROSS PROFIT	7,582,638	36	5,302,045	33
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	1,191,309	6	931,668	6
Total operating expenses	4,237,537	20	3,851,138	24
PROFIT FROM OPERATIONS	3,345,101	16	1,450,907	9
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)	(548,473)	(2)	(8,800)	-
Total non-operating income and expenses	(532,966)	(3)	(261,210)	(2)
PROFIT BEFORE INCOME TAX	2,812,135	13	1,189,697	7
INCOME TAX EXPENSE (Notes 4 and 21)	560,615	3	228,920	1
NET PROFIT FOR THE YEAR	2,251,520	10	960,777	6
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note18)	(53,292)	-	(3,697)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	8,357	-	3,840	-

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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	%
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)	(2,978)	-	35,694	-
Other comprehensive loss for the year, net of income tax	(30,303)	-	(173,357)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,221,217	10	$ 787,420	5
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,738,019	13	$ 1,326,815	8
Non-controlling interests	(486,499)	(3)	(366,038)	(2)
	$ 2,251,520	10	$ 960,777	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,709,808	13	$ 1,152,567	7
Non-controlling interests	(488,591)	(3)	(365,147)	(2)
	$ 2,221,217	10	$ 787,420	5
EARNINGS PER SHARE (Note 22)				
Basic	$ 9.77		$ 4.74	
Diluted	$ 9.75		$ 4.72	

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			
	Common Stock	Additional Paid-in Capital	Changes in Percentage of Ownership Interest in Subsidiaries	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	6,565,972	4,428,570
CASH FLOWS FROM INVESTING ACTIVITIES		
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)

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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	3,961	3,989
Net cash used in investing activities	(5,412,471)	(3,511,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	26,332	77,253
Net cash used in financing activities	(497,518)	(358,920)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(5,005)	(65,934)
NET INCREASE IN CASH AND CASH EQUIVALENTS	650,978	492,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,101,898	1,609,363
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,752,876	$ 2,101,898

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

1. GENERAL INFORMATION

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

The Corporation was approved by the Securities and Futures Bureau (SFB), 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 (TSE) since June 26, 2009.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 22, 2018.

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, 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 did not have any material impact on the Group's accounting policies:

   <u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

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

   The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.

Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party

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

The retrospective application of the amendments on January 1, 2017 enhanced the disclosures of related party transactions. Refer to Note 27 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted shares measured at cost will be measured at fair value instead;

b) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

The Group has performed a preliminary assessment that it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses on financial assets.

The Group will elect not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9, but will recognize the cumulative effect of the initial application at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets and equity			
Financial assets measured at amortized cost - non-current	$ -	$ 2,919	$ 2,919
Held-to-maturity financial assets - non-current	2,919	(2,919)	-
Financial assets at fair value through profit or loss - non-current	-	15,338	15,338
Financial assets at fair value through other comprehensive income - non-current	-	478,488	478,488
Financial assets measured at cost - non-current	320,464	(320,464)	-
Total effect on assets	$ 323,383	$ 173,362	$ 496,745
Total effect on other equity - Financial assets at fair value through other comprehensive income - non-current	$ -	$ 173,362	$ 173,362

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

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

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

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

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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: 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 and a number of related interpretations.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed 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 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 Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective 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 Corporation.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 Corporation.

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

e. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

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

f. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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.

g. 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 if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for 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. Impairment loss does not form part of carrying amount. Impairment loss is deducted from carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as 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 if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant, and equipment

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

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

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If 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.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then 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.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful 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.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered 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.

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.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

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

ii. Held-to-maturity investments

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

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

iii. Available-for-sale financial assets

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

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

iv. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

For any available-for-sale equity investments, a significant or prolonged decline in fair value of 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 is 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 an impairment loss is recognized in other comprehensive income.

For financial assets that are 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 the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When receivables are considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 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 Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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

m. Provision

Provisions, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

n. Revenue recognition

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

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Dividend and interest income

Dividend income from investments is recognized when 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.

o. 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.

p. Borrowing costs

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

s. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 2,049	$ 2,081
Checking accounts and demand deposits	1,767,744	1,711,653
Pledged time deposits	12,883	81,450
Cash equivalents		
Time deposits	983,083	388,164
	2,765,759	2,183,348
Less: Pledged time deposits		
Current (classified as other current assets)	(12,883)	(81,450)
	$ 2,752,876	$ 2,101,898
Rate of interest per annum (%)		
Cash in bank	0.00-2.75	0.00-1.76
Pledged time deposits	0.05-1.04	0.17-2.80

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	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
December 31, 2016			
Sell	EUR/NTD	2017.1.13-2017.3.17	EUR4,500/NTD153,245
Sell	USD/NTD	2017.1.20-2017.2.8	USD700/NTD22,225
Sell	CNY/NTD	2017.1.12-2017.4.28	CNY210,000/NTD959,790

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

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

Investee	December 31 2017	December 31 2016
Domestic unlisted common shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	$ 63,440	$ 63,440
Sunengine Corporation Ltd. (Sunengine)	15,338	49,338
Taichung International Country Club	2,100	2,100
King Kong Iron Work Ltd.	-	-
	80,878	114,878
Overseas unlisted common shares		
Kaland Holdings Corp. (Kaland)	236,266	236,266
Hiwin (Schweiz) GmbH	3,320	3,320
	$ 320,464	$ 354,464

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
Notes receivable from unrelated parties		
Notes receivable	$ 798,833	$ 581,491
Less: Allowance for impairment loss	(6,749)	(5,073)
	$ 792,084	$ 576,418
Trade receivables from unrelated parties		
Trade receivables	$ 3,606,959	$ 4,096,608
Less: Allowance for impairment loss	(18,622)	(88,656)
	$ 3,588,337	$ 4,007,952

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	2016
Not past due	$ 3,416,345	$ 3,762,075
1-30 days	135,418	129,362
31- 60 days	13,677	49,882
61-120 days	4,952	109,924
121-180 days	17,419	23,197
More than 180 days	19,148	22,168
	$ 3,606,959	$ 4,096,608

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

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

	For the Year Ended December 31					
	2017			2016		
	Notes Receivable	Trade Receivables	Other Receivables	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1	$ 5,073	$ 88,656	$ 13,697	$ 1,208	$ 89,221	$ 68,776
Add: Impairment loss recognized (reversed) on receivables	1,721	(54,817)	-	4,059	2,058	(54,932)
Less: Amounts written off as uncollectible	-	(11,553)	-	-	(1,155)	(147)
Effect of exchange rate changes	(45)	(3,664)	-	(194)	(1,468)	-
Balance at December 31	$ 6,749	$ 18,622	$ 13,697	$ 5,073	$ 88,656	$ 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	**2016**
1-30 days	$ 4,237	$ 83,049
31-60 days	664	31,011
	$ 4,901	$ 114,060

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

	December 31	
	2017	**2016**
1-30 days	$ 131,181	$ 46,313
31-60 days	13,013	18,871
61-120 days	4,952	109,924
121-180 days	17,419	23,197
More than 180 days	19,148	22,168
	$ 185,713	$ 220,473

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

10. INVENTORIES

	December 31	
	2017	**2016**
Merchandise	$ 16,135	$ 2,727
Finished goods	1,648,349	1,711,965
Work in process	1,536,234	1,202,354
Raw materials and supplies	1,876,093	1,348,301
Inventory in transit	317,577	192,329
	$ 5,394,388	$ 4,457,676

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $13,582,126 thousand and $10,816,253 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs (reversal of inventory write-downs) of $(108,015) thousand and $276,355 thousand, and unallocated fixed overhead of $94,147 thousand and $138,195 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2017	% of Ownership December 31 2016
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 (Former named Hulk Energy Technology Co., Ltd.) (“Eterbright”)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	65	58
	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	48	47
	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	94	94
Hiwin Germany	Hiwin Italy	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	6	6
Luren	Luren Precision (Japan) Inc. (“Luren Japan”)	Sale of gear cutting tools and machinery	100	100
	Luren Precision Machinery (Shanghai) Co., Ltd. (“Luren Shanghai”)	Sale of gear cutting tools and machinery	100	100
	Luren Precision Chicago Co., Ltd. (“Luren USA”)	Sale of gear cutting tools and machinery	100	100

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

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	
	2017	2016
Eterbright	35%	42%
Luren	52%	53%

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

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Eterbright	$ (448,380)	$ (308,877)	$ 215,944	$ 564,496
Luren	(40,211)	(56,270)	90,809	133,811
	$ (488,591)	$ (365,147)	$ 306,753	$ 698,307

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	
	2017	2016
Current assets	$ 352,284	$ 374,219
Non-current assets	1,734,994	2,301,322
Current liabilities	(1,330,749)	(627,717)
Non-current liabilities	(146,172)	(695,738)
Equity	$ 610,357	$ 1,352,086
Equity attributable to:		
Owners of Eterbright	$ 394,413	$ 787,590
Non-controlling interests of Eterbright	215,944	564,496
	$ 610,357	$ 1,352,086

	For the Year Ended December 31	
	2017	**2016**
Revenue	$ 266,298	$ 91,437
Net loss for the year	$ (1,241,729)	$ (691,443)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	$ (1,241,729)	$ (691,443)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	$ (793,349)	$ (382,566)
Non-controlling interests of Eterbright	(448,380)	(308,877)
	$ (1,241,729)	$ (691,443)
Net cash inflow (outflow) from:		
Operating activities	$ (374,553)	$ (358,627)
Investing activities	(236,318)	(678,054)
Financing activities	691,484	973,101
Net cash inflow (outflow)	$ 80,613	$ (63,580)

Luren and Luren's subsidiaries

	December 31, 2017	**December 31, 2016**
Current assets	$ 713,428	$ 596,876
Non-current assets	526,087	338,614
Current liabilities	(718,688)	(637,375)
Non-current liabilities	(338,252)	(41,187)
Equity	$ 182,575	$ 256,928
Equity attributable to：		
Owners of Luren	$ 88,092	$ 120,782
Non-controlling interests of Luren	94,483	136,146
	$ 182,575	$ 256,928

	For the Year Ended December 31	
	2017	2016
Revenue	$ 686,929	$ 509,599
Net loss for the year	$ (70,310)	$ (103,465)
Other comprehensive income (loss) for the year	(4,043)	1,682
Total comprehensive loss for the year	$ (74,353)	$ (101,783)
Loss attributable to:		
Owners of Luren	$ (33,531)	$ (47,421)
Non-controlling interests of Luren	(36,779)	(56,044)
	$ (70,310)	$ (103,465)
Total comprehensive loss attributable to:		
Owners of Luren	$ (35,482)	$ (47,848)
Non-controlling interests of Luren	(38,871)	(53,935)
	$ (74,353)	$ (101,783)
Net cash inflow (outflow) from:		
Operating activities	$ (108,879)	$ (60,735)
Investing activities	(230,542)	(174,915)
Financing activities	296,534	248,369
Net cash inflow (outflow)	$ (42,887)	$ 12,719

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Associates that are not individually materials	$ 161,910	$ 138,420

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Profit for the year	$ 19,438	$ 19,158
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	$ 19,438	$ 19,158

Except for Hiwin S.R.O., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Hiwin S.R.O. that have not been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 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

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

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 $500,000

thousand, which was recognized as impairment loss in the year ended December 31, 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 6.78% per annum.

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

Buildings and improvements	
Main buildings	25-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-10 years
Transportation equipment	2-10 years
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 28.

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

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

	December 31	
The date of initial cost contribution	**2017**	**2016**
Within 1 year	$ 1,177,543	$ 1,176,205
1-2 years	361,833	589,833
2-5 years	294,577	400,809
More than 5 years	40,025	156,759
	$ 1,873,978	$ 2,323,606

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

Prepayments for machinery and equipment pledged as collateral for bank borrowings were set out in Note 28.

15. PREPAYMENTS FOR LEASE

	December 31	
	2017	**2016**
Current (classified as other current asset)	$ 3,621	$ 1,828
Non-current	170,331	85,316
	$ 173,952	$ 87,144

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 28.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	**2016**
Secured borrowings		
Working capital loans	$ 1,414,018	$ 625,592
Loans for export sales	1,037,540	1,022,316
Usance letters of credit	85,308	35,206
Loans for purchasing raw material	10,052	38,062
	2,546,918	1,721,176
Unsecured borrowings		
Line of credit borrowings	2,404,519	3,000,000
	$ 4,951,437	$ 4,721,176
Rate of interest per annum (%)		
Working capital loans	1.43-2.89	1.35-2.55
Loans for export sales	0.80-1.93	0.80-1.63
Usance letters of credit	0.84-1.93	1.06-1.66
Loans for purchasing raw material	1.76	1.48-1.59
Line of credit borrowings	0.85-1.81	0.92-1.06

b. Long-term borrowings

	December 31	
	2017	**2016**
Secured borrowings (Note 28)		
Secured loans	$ 8,255,932	$ 8,254,075
Unsecured borrowings		
Unsecured loans	585,500	900,500
	8,841,432	9,154,575
Less: Current portion	(1,754,159)	(2,103,196)
Long-term borrowings	$ 7,087,273	$ 7,051,379

(Continued)

	December 31	
	2017	2016
Rate of interest per annum (%)		
Secured loans	1.02-4.90	1.02-4.45
Unsecured loans	1.14-2.10	0.98-2.10

(Concluded)

17. OTHER PAYABLES

	December 31	
	2017	2016
Payables for salaries and bonuses	$ 720,282	$ 481,139
Payables for compensation to employees	245,035	93,000
Payables for annual leave	146,897	96,656
Payables for remuneration to directors and supervisors	115,536	42,771
Payables for purchases of building and equipment	66,297	171,480
Others	450,874	411,790
	$ 1,744,921	$ 1,296,836

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation, Eterbright and Luren adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

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

b. Defined benefit plans

The defined benefit 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	
	2017	**2016**
Present value of defined benefit obligation	$ 456,443	$ 403,760
Fair value of plan assets	(136,586)	(128,373)
Net defined benefit liabilities	$ 319,857	$ 275,387

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, 2016	$ 404,466	$ (127,541)	$ 276,925
Service cost			
Current service cost	5,068	-	5,068
Net interest expense (income)	6,227	(1,999)	4,228
Recognized in profit or loss	11,295	(1,999)	9,296
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(677)	1,013	336
Actuarial loss - changes in demographic assumptions	938	-	938
Actuarial loss - experience adjustments	2,423	-	2,423
Recognized in other comprehensive income	2,684	1,013	3,697
Contributions from the employer	-	(14,531)	(14,531)
Benefits paid	(14,685)	14,685	-
Balance at December 31, 2016	403,760	(128,373)	275,387
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

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	
	2017	**2016**
Discount rates	1.25%	1.50%, 1.80%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%
Turnover rate	1.22%	1.29%

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	
	2017	**2016**
Discount rate		
0.25% increase	$ (10,549)	$ (9,347)
0.25% decrease	$ 10,987	$ 9,745
Expected rate of salary increase		
0.25% increase	$ 10,877	$ 9,672
0.25% decrease	$ (10,499)	$ (9,325)
Turnover rate		
10% increase	$ (752)	$ (795)
10% decrease	$ 757	$ 801

Luren

	December 31	
	2017	2016
Discount rate		
0.50% increase	$ (6,468)	$ (6,367)
0.50% decrease	$ 7,140	$ 7,064
Expected rate of salary increase		
0.50% increase	$ 6,977	$ 6,942
0.50% decrease	$ (6,393)	$ (6,326)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 12,197	$ 11,460
The average duration of the defined benefit obligation	11 years, 15 years	11.9 years, 16.0 years

19. EQUITY

a. Common stock

	December 31	
	2017	2016
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	280,157	274,664
Shares issued	$ 2,801,573	$ 2,746,640

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

b. Capital surplus

The capital surplus arising from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

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

c. Retained earnings and dividends policy

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

Under the dividend policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a 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 the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to c. Employees' compensation and remuneration of directors and supervisors in Note 20-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.

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

The appropriations of earnings for 2016 and 2015 which have been approved in the shareholders' meetings on June 28, 2017 and 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 132,682	$ 164,224		
Appropriation special reserve	173,909	77,063		
Cash dividends	439,462	565,485	$ 1.6	$ 2.1
Share dividends	54,933	53,855	0.2	0.2

The appropriation of earnings for 2017 had been proposed by the Corporation's board of directors on March 22, 2018. The appropriations were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 273,802	
Reversal special reserve	(14,593)	
Cash dividends	980,551	$ 3.5
Share dividends	84,047	0.3

The appropriation of earnings for 2017 are subject to the resolution in the shareholders' meeting to be held on June 27, 2018.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Information about capitalized interest

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 42,723	$ 29,369
Capitalization rates	0.86%-4.90%	1.33%-1.56%

b. Employee benefits expense, depreciation and amortization expenses

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

c. Employees' compensation and remuneration of directors and supervisors

The Corporation accrued employees' compensation and remuneration of directors and supervisors 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 and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016 which have been approved by the Corporation's board of directors on March 22, 2018 and 2017, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
Cash	Accrual rate	Amount	Accrual rate	Amount
Employees' compensation	6.6%	$ 231,072	5.3%	$ 85,543
Remuneration of directors and supervisors	3.3%	115,536	2.6%	42,771

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. TAXES

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

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 446,254	$ 177,252
Income tax of unappropriated earnings	52,549	76,799
Adjustments for prior years	7,914	(7,516)
	506,717	246,535
Deferred tax		
In respect of the current year	53,898	(17,615)
Income tax expense recognized in profit or loss	$ 560,615	$ 228,920

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

	For the Year Ended December 31	
	2017	**2016**
Income tax expense calculated at the statutory rate	$ 656,471	$ 315,691
Nondeductible expenses in determining taxable income	258	408
Tax-exempt income	(141,894)	(79,560)
Others	3,461	2,044
Income tax on unappropriated earnings	52,549	76,799
Investment tax credits used	(74,316)	(60,346)
Current tax	496,529	255,036
Unrecognized deductible temporary differences	56,172	(18,600)
Adjustments for prior years' tax	7,914	(7,516)
Income tax expense recognized in profit or loss	$ 560,615	$ 228,920

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $43,804 thousand and $36,460 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 2,978	$ (35,694)
Remeasurement of defined benefit plans	(8,357)	(3,840)
	$ (5,379)	$ (39,534)

c. Deferred tax assets and liabilities

	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

	For the Year Ended December 31, 2016			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 89,724	$ (20,483)	$ -	$ 69,241
Doubtful debts	18,788	(9,896)	-	8,892
Allowance for inventory devaluation	27,787	16,265	-	44,052
Payable for annual leave	11,415	1,001	-	12,416
Defined benefit obligation	10,336	(166)	3,840	14,010
Impairment loss on financial assets	662	1,496	-	2,158
Provisions	3,461	1,651	-	5,112
FVTPL financial liabilities	317	(317)	-	-
Exchange difference on foreign operations	18,741	-	35,694	54,435
Capitalized expenses	7,189	(7,189)	-	-
Deferred expenses	4,294	12,355	-	16,649
Unrealized foreign currency exchange loss	-	13,426	-	13,426
Others	6,381	392	-	6,773
	$ 199,095	$ 8,535	$ 39,534	$ 247,164
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 144,110	$ 1,724	$ -	$ 145,834
Unrealized cost of goods sold	11,068	(11,068)	-	-
Unrealized foreign currency exchange gain	10,347	(10,215)	-	132
Depreciation expenses	2,462	(2,462)	-	-
Intangible assets	6,694	210	-	6,904
Others	9,294	12,731	-	22,025
	$ 183,975	$ (9,080)	$ -	$ 174,895

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

	December 31	
	2017	2016
Investment loss	$ 773,260	$ 442,703
Deductible temporary difference	233,704	344,206
Loss carryforwards	3,938,525	2,405,221
	$ 4,945,489	$ 3,192,130

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised of:

Investee	Unused Amount	Expiry Year
Eterbright	$ 2,980,046	2021-2027
Hiwin Japan	508,707	2018-2026
Luren	214,434	2023-2027
Hiwin Korea	136,365	2023-2027
Hiwin Singapore	98,973	Unlimited duration
	$ 3,938,525	

f. Information about tax-exemption

As of December 31, 2017, 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. Integrated income tax

	December 31	
	2017	2016
Imputation credits account	Note	$ 1,842,275

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	20.37%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

h. Income tax assessments

The tax returns of the Corporation, Eterbright and Luren through 2015, have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 2,738,019	280,157	$9.77
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	280,965	$9.75
For the Year Ended December 31, 2016			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,326,815	280,157	$4.74
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	770	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,326,815	280,927	$4.72

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 22, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 4.83	$ 4.74
Diluted earnings per share	$ 4.82	$ 4.72

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

On March 31 and June 22, 2016, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, and increased its continuing interest from 48% to 58%.

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

24. 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
2018	$ 111,182
2019	83,732
2020	56,496
2021	55,499
2022	36,071
	$ 342,980

25. 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.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

The Group's financial assets and liabilities at fair value through profit or loss are measured at fair value using Level 2 inputs.

There were no transfers between Level 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss	$ 548	$ 6,347
Loans and receivables	7,224,597	6,776,674
Held-to-maturity financial assets	2,919	3,033
Financial assets measured at cost	320,464	354,464
Financial liabilities		
Fair value through profit or loss	3,038	2,082
Amortized cost	19,850,157	17,425,097

The balance include 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 include 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 30.

Sensitivity analysis

The Group was mainly exposed to the USD, EUR, JPY and CNY.

The sensitivity analysis of foreign currency risk used in reporting foreign currency risk internally to key management personnel mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming a 1% increase movement in the levels of the NTD against the relevant foreign currency, the post-tax losses for the years ended December 31, 2017 and 2016 would have decreased by $40,437 thousand and $37,028 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2017	**2016**
Fair value interest rate risk		
Deposits in bank	$ 371,751	$ 81,785
Short-term borrowings	-	36,798

	December 31	
	2017	2016
Cash flow interest rate risk		
Deposits in bank	$ 2,316,026	$ 1,980,819
Short-term borrowings	4,951,437	4,684,378
Long-term borrowings	8,841,432	9,154,575

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, 2017 and 2016 would decrease by $95,258 thousand and $98,423 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the counterparties are reputable organizations; thus, the Group is not expected to have a significant credit risk.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables consisted of a large number of customers, spread across diverse industries. On-going credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 68% and 82% of the total trade receivables as of December 31, 2017 and 2016, 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, 2017 and 2016, the Group had available unutilized bank loan facilities of $8,045,164 thousand and $7,412,944 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, 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	$ -	$ -
December 31, 2016			
Non-derivative financial liabilities			
Non-interest bearing	$ 3,549,346	$ -	$ -
Fixed interest rate liabilities	36,798	-	-
Variable interest rate liabilities	6,787,574	5,030,810	2,024,744
	$ 10,373,718	$ 5,030,810	$ 2,024,744
Derivative financial liabilities			
Foreign exchange forward contracts	$ 2,082	$ -	$ -

27. 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 Categories / Names

Related Party	Relationship with the Consolidated Corporation
Hiwin S.R.O.	Associates
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 (Robotics Association)	Others (since August 9, 2017, it's not related party)
All Horng Gear Industry Co., Ltd	Others
Taiwan Gong Ji Chang Co., Ltd	Others

b. Operating transactions

	For the Year Ended December 31	
	2017	2016
1) Sales of goods		
Associates	$ 174,296	$ 155,904
Others	132,682	64,340
	$ 306,978	$ 220,244

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	
	2017	2016
2) Purchases of goods		
Others	$ 877,794	$ 582,744
Associates	4	-
	$ 877,798	$ 582,744

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	
	2017	2016
Non-operating income - dividend income (classified as other revenue)		
Others	$ 344	$ 848
Non-operating income - other income		
Others	$ 270	$ 426
Manufacturing and operating expenses		
Others	$ 11,451	$ 6,713
Associates	-	4,990
	$ 11,451	$ 11,703
Operating expenses - donations		
Hiwin Foundation	$ 17,500	$ 10,863

	December 31	
	2017	2016
4) Notes receivable		
Others	$ 2,835	$ 1,347
5) Trade receivables		
Associates	$ 20,709	$ 13,396
Others	7,818	4,704
	$ 28,527	$ 18,100
6) Other receivables (classified as other current assets)		
Others	$ 190	$ 258
7) Trade payables		
Others	$ 241,120	$ 163,514
Associates	655	-
	$ 241,775	$ 163,514
8) Other payables		
Others	$ 438	$ -

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2017	2016
Others	$ 2,050	$ 4,997

d. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 307,938	$ 206,512
Post-employment benefits	4,070	1,108
Other long-term employee benefits	1,675	2,195
	$ 313,683	$ 209,815

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 long-term bank loans and lawsuit:

	December 31	
	2017	2016
Property, plant and equipment	$ 13,300,630	$ 12,374,868
Pledge deposits	12,883	81,450
Prepayments for machinery and equipment	-	247,923
Land use right	84,355	-
	$ 13,397,868	$ 12,704,241

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $601,956 thousand and $504,409 thousand, respectively.

b. As of December 31, 2017 and 2016, the Group had a commitment to buy property, plant and equipment for $2,685,367 thousand and $2,721,520 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 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, 2017			December 31, 2016		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 26,881	29.76	$ 799,980	$ 25,835	32.25	$ 833,166
EUR	35,148	35.57	1,250,229	23,931	33.90	811,275
JPY	1,902,185	0.2642	502,557	1,170,446	0.2756	322,575
CNY	602,109	4.565	2,748,626	600,051	4.617	2,770,437
Non-monetary items						
USD	8,168	29.76	243,080	8,168	32.25	263,418
ILS	8,729	8.566	74,775	7,446	8.350	62,172
Financial liabilities						
Monetary items						
USD	6,284	29.76	187,009	3,428	32.25	110,548
EUR	2,221	35.57	79,003	1,516	33.90	51,386
JPY	559,025	0.2642	147,694	386,290	0.2756	106,461
CNY	3,457	4.565	15,779	1,707	4.617	7,879

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			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	$ 13,185	1 (NTD:NTD)	$ (375,836)

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) 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)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are Linear guideways, Ballscrews and others.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Year Ended December 31			
	Segment Revenue		Segment Profit	
	2017	2016	2017	2016
Linear guideways	$ 11,815,483	$ 9,759,034	$ 2,576,663	$ 1,782,628
Ballscrews	5,128,057	3,599,158	859,081	196,991
Others	4,221,224	2,760,106	(90,643)	(528,712)
Total from continuing operations	$ 21,164,764	$ 16,118,298	3,345,101	1,450,907
Subsidy revenue			84,941	51,651
Finance costs			(131,357)	(160,122)
Share of profit of associates accounted for using equity method			19,438	19,158
Interest income			37,898	16,399
Other income			84,339	172,221
Net foreign exchange gain (loss)			28,830	(378,412)
Other expenses			(41,005)	(8,866)
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss			(67,577)	35,561
Impairment loss			(548,473)	(8,800)
Profit before income tax			$ 2,812,135	$ 1,189,697

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2017 and 2016.

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 (loss), other expenses, valuation gain (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 four principal geographical areas - Taiwan, Germany, Japan, and USA.

The Group's revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 13,368,957	$ 9,945,102	$ 19,544,855	$ 18,943,485
Germany	2,542,286	2,282,914	1,056,953	993,063
Japan	1,162,034	884,616	27,686	25,895
USA	1,060,802	842,388	405,866	406,923
Others	3,030,685	2,163,278	2,983,546	486,464
	$ 21,164,764	$ 16,118,298	$ 24,018,906	$ 20,855,830

d. Information about major customers

	For the Year Ended December 31			
	2017		2016	
Names	Amount	%	Amount	%
Customer A	$ 1,845,982	9	$ 1,939,816	12
Customer B	1,563,777	7	1,794,894	11

TABLE 1

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	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	$ 139,971	$ 72,178	$ 72,178	1.76%	1	Sales $435,460	-	$ -	-	$ -	$ 302,345	$ 4,887,929
0	The Corporation	Eterbright	Other receivables from related parties	Yes	630,000	510,000	-	1.76%	2	-	Operating capital	-	Promissory note and equipment	630,000	1,629,310	4,887,929
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	50,419	-	-	1.76%	1	Sales 740,096	-	-	-	-	116,248	4,887,929
1	Luren	Luren Japan	Other receivables from related parties	Yes	1,356	1,356	1,356	1.895%	1	Sales 23,726	-	-	-	-	6,605	36,515
1	Luren	Luren U.S.A	Other receivables from related parties	Yes	9,404	8,810	8,810	1.895%	1	Sales 11,356	-	-	-	-	11,356	36,515
1	Luren	Luren Shanghai	Other receivables from related parties	Yes	13,682	9,958	9,958	1.895%	1	Sales 66,982	-	-	-	-	13,741	36,515

Note 1: The total amount for lending to a company for funding shall not exceed 10% of the net assets of the Corporation in the latest financial report. In addition, the total amount of lending to any one borrower shall not be more than the borrower's paid-in capital. The above restriction does not apply to the offshore subsidiaries whose voting shares are 100% owned, directly or indirectly. 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, the maximum amount should not exceed 30% of the Corporation's net assets as shown in its latest financial statements. For the financing provided, 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.

TABLE 2

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and Foreign Currency)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Hiwin USA	Subsidiary	$ 319,622	$ 212,903 (USD 7,154)	$ -	$ -	$ -	-	$ 5,702,584	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	111,300	148,800 (USD 5,000)	89,280 (USD 3,000)	38,718 (USD 1,301)	-	0.6	5,702,584	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	202,464	44,640 (USD 1,500)	44,640 (USD 1,500)	29,760 (USD 1,000)	-	0.3	5,702,584	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	1,629,310	1,000,000	1,000,000	935,000	-	6.1	5,702,584	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.

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, 2017.

TABLE 3

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(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, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 1)	
The Corporation	Government bonds							
	Central Government Bonds 1999-3	-	Held-to-maturity financial assets-non-current	-	$ 2,919	-	$ 2,919	
	Capital stock							
	Kaland	-	Financial assets measured at cost - non-current	323,289	236,266	19	294,045	
	Sunengine	-	Financial assets measured at cost - non-current	4,925,255	15,338	10	15,997	
	Hiwin Mikrosystem	-	Financial assets measured at cost - non-current	8,662,082	63,440	9	179,023	
	Taichung International Country Club	-	Financial assets measured at cost - non-current	1	2,100	-	-	
	King Kong Iron Work Ltd.	-	Financial assets measured at cost - non-current	76,300	-	-	-	
Hiwin Germany	Share capital							
	Hiwin (Schweiz) GmbH	-	Financial assets measured at cost - non-current	-	3,320 (EUR 72)	19	3,320 (EUR 72)	

Note 1: For companies with stocks that have no quoted market prices, the estimated fair value of the securities held is based on the investees' net asset values as of December 31, 2017.

Note 2: Information about the investment in subsidiary and associates; please see Tables 9 and 10.

TABLE 4

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICE AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 (Note 3)
The Corporation	Capital stock	Investments accounted for using equity method	Eterbright	Subsidiary	137,751,098	$ 802,065	47,366,779	$ 473,668	-	$ -	$ -	$ -	$ (881,320) (Note 1)	138,838,559 (Note 2)	$ 394,413

Note 1: Including investment loss accounted for using equity method of $793,349 thousand, recognized impairment loss of $14,473 thousand and decrease in net assets of $73,498 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 46,279,318 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, 2017
(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	Chiayi Dapumei Precision Machinery Park factory's hydropower engineering Phase I	2017.3.22	$ 409,500	$ 320,434	Daya Electrical Engineering, Ltd.	None	-	-	-	$ -	Contractors bid	Factory hydropower engineering project	-

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 Germany	Subsidiary	Sale	$ (1,128,749)	(7)	O/A 120 days	$ -	-	$ 436,592	8	
	Hiwin China	Subsidiary	Sale	(1,296,660)	(8)	O/A 120 days	-	-	643,522	12	
	Hiwin Japan	Subsidiary	Sale	(740,096)	(4)	O/A 150-180 days	-	-	458,354	9	
	Hiwin Italy	Subsidiary	Sale	(435,460)	(3)	O/A 180 days	-	-	386,758	7	
	Hiwin USA	Subsidiary	Sale	(324,357)	(2)	O/A 120-180 days	-	-	122,121	2	
	Hiwin Korea	Subsidiary	Sale	(167,661)	(1)	O/A 180 days	-	-	78,037	1	
	Hiwin Mikrosystem	Others	Purchase	137,956	2	Net 120 days after monthly closing	-	-	(31,820)	(1)	
Hiwin Italy	The Corporation	Parent Company	Purchase	435,460	75	O/A 180 days	-	-	(386,758)	(78)	
Hiwin Japan	The Corporation	Parent Company	Purchase	740,096	81	O/A 150-180 days	-	-	(458,354)	(95)	
Hiwin China	The Corporation	Parent Company	Purchase	1,296,660	90	O/A 120 days	-	-	(643,522)	(97)	
Hiwin Korea	The Corporation	Parent Company	Purchase	167,661	62	O/A 180 days	-	-	(78,037)	(88)	
Hiwin USA	Hiwin Mikrosystem	Others	Purchase	331,240	46	O/A 90 days	-	-	(96,184)	(43)	
Hiwin USA	The Corporation	Parent Company	Purchase	324,357	45	O/A 120-180 days	-	-	(122,121)	(54)	
Hiwin Germany	Hiwin S.R.O	Associate	Sale	(173,996)	(7)	O/A 45 days	-	-	20,709	16	
	Hiwin Mikrosystem	Others	Purchase	215,998	12	O/A 90 days	-	-	(63,499)	(12)	
Hiwin Germany	The Corporation	Parent Company	Purchase	1,128,749	61	O/A 120 days	-	-	(436,592)	(83)	

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, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	Hiwin Germany	Subsidiary	Trade receivables from related parties	$ 436,592	3.29	$ -	-	$ 366,875	$ -
	Hiwin China	Subsidiary	Trade receivables from related parties	643,522	2.93	-	-	291,691	-
	Hiwin Japan	Subsidiary	Trade receivables from related parties	458,354	1.96	-	-	211,750	-
	Hiwin U.S.A	Subsidiary	Trade receivables from related parties	122,121	3.39	-	-	64,360	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	386,758	1.45	-	-	76,059	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	72,334	-	-	-	-	-

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, 2017
(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	$ 740,096	O/A 150-180 days	3
			1	Trade receivables	458,354	O/A 150-180 days	1
		Hiwin Germany	1	Sales	1,128,749	O/A 120 days	5
			1	Trade receivables	436,592	O/A 120 days	1
		Hiwin USA	1	Sales	324,357	O/A 120-180 days	2
			1	Trade receivables	122,121	O/A 120-180 days	-
		Hiwin China	1	Sales	1,296,660	O/A 120 days	6
			1	Trade receivables	643,522	O/A 120 days	2
		Hiwin Korea	1	Sales	167,661	O/A 180 days	1
			1	Trade receivables	78,037	O/A 180 days	-
		Hiwin Italy	1	Sales	435,460	O/A 180 days	2
			1	Trade receivables	386,758	O/A 180 days	1
			1	Other receivables	72,334	-	-

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: Unrealized gains with Hiwin China are $91,581 thousand.

TABLE 9

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	%	Carrying Amount			
The Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	$ 452,797	$ 452,797	-	100	$ 1,181,668	$ 131,287	$ 131,287	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	376,012	30,373	30,373	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	708,081	54,200	100	(11,851)	(11,406)	(11,406)	Subsidiary
	Mega Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	-	40	107,604	27,474	10,990	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	2,310,349	1,836,681	138,838,559	65	394,413	(1,241,729)	(793,349)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(19,053)	(25,355)	(25,355)	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	29,377	(27,783)	(27,783)	Subsidiary
	Luren	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	367,109	358,955	11,651,778	48	260,631	(70,310)	(34,886)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,904	(44)	(44)	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	68,040	68,040	-	94	(30,630)	(30,050)	(28,362)	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	54,306 (EUR 1,527)	(Note 1)	(Note 1)	Investments accounted for using equity method
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	241,214 (EUR 6,500)	241,214 (EUR 6,500)	-	6	3,966 (EUR 112)	(Note 1)	(Note 1)	Subsidiary
Luren	Luren Japan	Japan	Sale of gear cutting tools and machinery	7,956	7,956	500	100	(1,031)	(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	(9,967)	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Significant intercompany accounts and transactions have been eliminated except Mega Fabs and Hiwin S.R.O.

Note 3: Information on investment in Mainland China, please see Table 10.

TABLE 10

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
YIFU Finance	Finance lease	$ 744,000 (USD 25,000)	(Note 1)	$ 236,266 (USD 8,168)	$ -	$ -	$ 236,266 (USD 8,168)	$ 56,951	$ 19	(Note 3)	$ 236,266	$ -
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (CNY 300,000)	(Note 2)	1,498,040 (CNY 300,000)	-	-	1,498,040 (CNY 300,000)	160,100	100	$ 160,100 (Notes 4 and 6)	1,554,905 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	4,871 (USD 148)	9,176 (USD 291)	-	14,047 (USD 439)	(4,249)	48	(2,050) (Notes 4 and 6)	(4,692) (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
The Corporation	$ 1,734,306 (USD 8,168 and CNY 300,000)	$ 1,652,220 (USD 9,500 and CNY 300,000)	(Note 5)
Luren	$ 14,047 (USD 439)	$ 14,047 (USD 439)	$ 109,545 (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 carried at cost; thus, no investment gain or loss is recognized.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

Note 5: 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.