Hiwin Technologies Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 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, 2016 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, 2017

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, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the Group's consolidated financial statements for the year ended December 31, 2016 are as follows:

<u>Revenue recognition</u>

The sales model of the Group mainly relies on distribution channels. Revenue from the sale of goods is recognized when the Group transfers the buyer the significant risks and rewards of the ownership of the goods. There will be a risk that the revenue is recognized when specific conditions have not been satisfied. Because the sales revenue earned through the distribution channels is material to the 2016 consolidated financial statement, sales revenue thereof is identified as a key audit matter. The accounting policy of sales revenue recognition is disclosed in Note 4.

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

1. Understood and tested the design and effectiveness of related internal controls over the acceptance of order and shipping procedures; sampled the sales transactions from distribution channels to verify the receiving of the order to ensure the timing of the revenue recognition is in accordance with the terms of transaction.

2. Performed test over sales contracts and orders of major distributors to ensure that the terms of transaction and the timing of the revenue recognition are in accordance; reviewed and examed the detail of sales returns to ensure whether there was any unusual item during the year and after-date.

Impairment assessment of accounts receivable

As of December 31, 2016, the net of notes receivable and trade receivables was $4,603,817 thousand (net of $93,729 thousand provision). Since the provision of allowance for doubtful accounts and the recoverability of receivables are subject to the management's judgment and estimation in which uncertainty is involved; the impairment assessment of accounts receivable is identified as a key audit matter.

The accounting policy for the provision of allowance for doubtful accounts and the detail information of receivables are disclosed in Notes 4, 5 and 9.

Our key audit procedures performed in respect of the abovementioned impairment assessment included the followings:

1. Understood and tested related internal controls over the provision of allowance for doubtful accounts to ensure that the controls have been approved and executed appropriately.

2. Obtained and sampled the aging report to verify the accuracy and completeness of the accounts receivables.

3. Evaluated the management's assumptions used in the calculation of the bad debt provision and checked the calculations supporting the amount of provision.

4. Compared the aging of receivables of the current year with those of prior years and reviewed the level of bad debt written off in the current year and those in the prior years to assess the reasonableness of the provision.

Impairment assessment of inventory

As of December 31, 2016, the inventory was $4,457,676 thousand. The inventory is stated at the lower of cost or net realizable value which is subject to the management judgment and estimation in which uncertainty is involved. Therefore, the impairment assessment of inventory is identified as a key audit matter. The accounting policy on the valuation of inventory and the detail information thereof are disclosed in notes 4, 5 and 10.

Our key audit procedures performed in respect of the abovementioned impairment assessment included the followings:

1. Understood and assessed the related internal controls of the valuation of inventory to ensure that the controls have been executed and impairment loss has been approved appropriately.

2. Assessed the reasonableness of the record of inventory provision with reference to aging of inventories and the level of inventory consumed and sold during the year.

3. Obtained the information of net realizable value for the sampling of the selling price and recalculated the net realizable value to verify the completeness and accuracy of the information of net realizable value.

4. Compared the actual sales value of the sampled inventory with the book value to ascertain that the carrying value of the inventory does not exceed the net realizable value.

5. Evaluated the adequacy of provision for obsolete, damaged stock and the condition of inventory during our observation of inventory counts.

Other Matter

We have also audited the parent company only financial statements of Hiwin Technologies Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taichung, Taiwan
Republic of China

March 22, 2017

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,101,898	6	$ 1,609,363	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	6,347	-	877	-
Notes receivable from unrelated parties, net (Notes 4, 5 and 9)	576,418	2	563,054	1
Notes receivable from related parties, net (Notes 4, 5 and 28)	1,347	-	1,709	-
Trade receivables from unrelated parties, net (Notes 4, 5 and 9)	4,007,952	12	4,889,818	15
Trade receivables from related parties, net (Notes 4, 5 and 28)	18,100	-	24,969	-
Inventories (Notes 4, 5 and 10)	4,457,676	14	5,524,282	17
Other current assets (Notes 6, 14 and 29)	498,372	1	958,573	3
Total current assets	11,668,110	35	13,572,645	41
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Note 4)	3,033	-	3,146	-
Financial assets measured at cost - non-current (Notes 4 and 8)	354,464	1	363,264	1
Investments accounted for using equity method (Notes 4 and 12)	138,420	1	126,244	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	17,796,029	54	15,930,786	49
Goodwill (Notes 4 and 23)	192,388	1	192,388	1
Deferred tax assets (Notes 4 and 21)	247,164	1	199,095	1
Prepayments for machinery and equipment	2,323,606	7	1,920,195	6
Refundable deposits	70,959	-	108,712	-
Long-term prepayments for lease (Note 14)	85,316	-	94,279	-
Other non-current assets (Notes 6, 9, 14, 16 and 29)	87,036	-	255,465	1
Total non-current assets	21,298,415	65	19,193,574	59
TOTAL	$ 32,966,525	100	$ 32,766,219	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 29)	$ 4,721,176	14	$ 6,129,603	19
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,082	-	2,741	-
Notes payable	10,905	-	6,042	-
Trade payables to unrelated parties	2,078,091	6	2,099,543	6
Trade payables to related parties (Note 28)	163,514	1	191,766	-
Other payables (Note 17)	1,296,836	4	1,209,703	4
Current tax liabilities (Notes 4 and 21)	91,951	-	213,440	1
Current portion of long-term borrowings (Notes 15, 16 and 29)	2,103,196	6	1,512,253	5
Other current liabilities (Note 4)	188,453	1	161,764	-
Total current liabilities	10,656,204	32	11,526,855	35
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	7,051,379	21	6,127,847	19
Deferred tax liabilities (Notes 4 and 21)	174,895	1	183,975	1
Finance lease payables - non-current (Notes 4, 16 and 29)	-	-	142,455	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	275,387	1	276,925	1
Other non-current liabilities	8,742	-	7,432	-
Total non-current liabilities	7,510,403	23	6,738,634	21
Total liabilities	18,166,607	55	18,265,489	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	2,746,640	9	2,692,785	8
Capital surplus	308,630	1	311,955	1
Retained earnings				
Legal reserve	1,760,342	5	1,596,118	5
Special reserve	91,624	-	14,561	-
Unappropriated earnings	9,459,908	29	9,122,242	28
Other equity	(265,533)	(1)	(91,624)	-
Total equity attributable to owners of the Corporation	14,101,611	43	13,646,037	42
NON-CONTROLLING INTERESTS	698,307	2	854,693	2
Total equity	14,799,918	45	14,500,730	44
TOTAL	$ 32,966,525	100	$ 32,766,219	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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 28)	$ 16,118,298	100	$ 14,881,048	100
COST OF GOODS SOLD (Notes 10, 20 and 28)	10,816,253	67	9,547,429	64
GROSS PROFIT	5,302,045	33	5,333,619	36
OPERATING EXPENSES (Notes 20 and 28)				
Selling and marketing expenses	1,586,160	10	1,303,754	9
General and administrative expenses	1,333,310	8	1,228,255	8
Research and development expenses	931,668	6	898,993	6
Total operating expenses	3,851,138	24	3,431,002	23
PROFIT FROM OPERATIONS	1,450,907	9	1,902,617	13
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	73,340	-	61,282	-
Finance costs (Notes 4 and 20)	(160,122)	(1)	(170,793)	(1)
Share of profit of associates accounted for using equity method (Notes 4 and 12)	19,158	-	23,087	-
Interest income (Note 4)	16,399	-	18,728	-
Other income (Note 28)	150,532	1	86,299	-
Net foreign exchange loss (Notes 4 and 31)	(378,412)	(2)	(45,065)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	35,561	-	(5,163)	-
Other expenses	(8,866)	-	(4,114)	-
Impairment loss on property, plant and equipment (Note 4)	-	-	(18,684)	-
Impairment loss on financial assets (Note 4)	(8,800)	-	(14,008)	-
Total non-operating income and expenses	(261,210)	(2)	(68,431)	(1)
PROFIT BEFORE INCOME TAX	1,189,697	7	1,834,186	12
INCOME TAX EXPENSE (Notes 4 and 21)	228,920	1	439,627	3
NET PROFIT FOR THE YEAR	960,777	6	1,394,559	9

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note18)	$ (3,697)	-	$ (14,723)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	3,840	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(209,194)	(1)	(92,958)	-
Unrealized gain on available-for-sale financial assets	-	-	(3)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	35,694	-	15,758	-
Other comprehensive loss for the year, net of income tax	(173,357)	(1)	(91,926)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 787,420	5	$ 1,302,633	9
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,326,815	8	$ 1,642,238	11
Non-controlling interests	(366,038)	(2)	(247,679)	(2)
	$ 960,777	6	$ 1,394,559	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,152,567	7	$ 1,551,550	11
Non-controlling interests	(365,147)	(2)	(248,917)	(2)
	$ 787,420	5	$ 1,302,633	9
EARNINGS PER SHARE (Note 22)				
Basic	$ 4.83		$ 5.98	
Diluted	$ 4.82		$ 5.95	

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Notes 19 and 21)										
		Capital Surplus		Retained Earnings			Other Equity				
	Common Stock	Additional Paid-in Capital	Changes in Percentage of Ownership Interest in Subsidiaries	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
BALANCE AT JANUARY 1, 2015	$ 2,614,354	$ 308,630	$ -	$ 1,355,627	$ -	$ 8,664,091	$ (14,564)	$ 3	$ 12,928,141	$ 744,144	$ 13,672,285
Appropriation of 2014 earnings											
Legal reserve	-	-	-	240,491	-	(240,491)	-	-	-	-	-
Special reserve	-	-	-	-	14,561	(14,561)	-	-	-	-	-
Cash dividends - NT$3.2 per share	-	-	-	-	-	(836,593)	-	-	(836,593)	-	(836,593)
Share dividends - NT$0.3 per share	78,431	-	-	-	-	(78,431)	-	-	-	-	-
	78,431	-	-	240,491	14,561	(1,170,076)	-	-	(836,593)	-	(836,593)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	362,405	362,405
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	3,325	-	-	(386)	-	-	2,939	(2,939)	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	1,642,238	-	-	1,642,238	(247,679)	1,394,559
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(13,625)	(77,060)	(3)	(90,688)	(1,238)	(91,926)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	1,628,613	(77,060)	(3)	1,551,550	(248,917)	1,302,633
BALANCE AT DECEMBER 31, 2015	2,692,785	308,630	3,325	1,596,118	14,561	9,122,242	(91,624)	-	13,646,037	854,693	14,500,730
Appropriation of 2015 earnings											
Legal reserve	-	-	-	164,224	-	(164,224)	-	-	-	-	-
Special reserve	-	-	-	-	77,063	(77,063)	-	-	-	-	-
Cash dividends - NT$2.1 per share	-	-	-	-	-	(565,485)	-	-	(565,485)	-	(565,485)
Share dividends - NT$0.2 per share	53,855	-	-	-	-	(53,855)	-	-	-	-	-
	53,855	-	-	164,224	77,063	(860,627)	-	-	(565,485)	-	(565,485)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	77,253	77,253
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	(3,325)	-	-	(128,183)	-	-	(131,508)	131,508	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	1,326,815	-	-	1,326,815	(366,038)	960,777
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(339)	(173,909)	-	(174,248)	891	(173,357)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	1,326,476	(173,909)	-	1,152,567	(365,147)	787,420
BALANCE AT DECEMBER 31, 2016	$ 2,746,640	$ 308,630	$ -	$ 1,760,342	$ 91,624	$ 9,459,908	$ (265,533)	$ -	$ 14,101,611	$ 698,307	$ 14,799,918

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,189,697	$ 1,834,186
Adjustments for :		
Depreciation expenses	1,488,016	1,353,268
Amortization expenses	31,510	21,756
Impairment loss recognized (reversal of impairment loss) on receivables	(48,815)	11,230
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	(4,265)	1,864
Finance costs	160,122	170,793
Interest income	(16,399)	(18,728)
Write-down of inventories	276,355	112,964
Share of profit of associates accounted for using equity method	(19,158)	(23,087)
Loss on disposal of property, plant and equipment	4,343	2,425
Impairment loss recognized on financial assets	8,800	14,008
Dividend income	(2,356)	(4,210)
Impairment loss recognized on property, plant and equipment	-	18,684
Unrealized foreign currency exchange loss (gain), net	88,506	(58,883)
Other	113	205
Changes in operating assets and liabilities		
Financial instruments held for trading	(1,864)	(13,563)
Notes receivable	(51,228)	(344,374)
Trade receivables	777,693	684,534
Inventories	795,758	(1,315,007)
Other current assets	207,347	(185,390)
Notes payable	4,889	(7,012)
Trade payables	10,115	(35,137)
Other payables	97,026	(295,420)
Other current liabilities	28,039	(42,340)
Net defined benefit liabilities	(5,233)	(4,348)
Cash generated from operations	5,019,011	1,878,418
Interest received	21,305	19,633
Dividend received	2,356	4,210
Interest paid	(160,974)	(165,986)
Income taxes paid	(453,128)	(690,354)
Net cash generated from operating activities	4,428,570	1,045,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	22
Purchase of financial assets measured at cost	-	(25,518)
Net cash outflow on acquisition of subsidiaries (Note 23)	-	(240,853)
Payments for property, plant and equipment	(2,604,124)	(1,444,577)
Proceeds from disposal of property, plant and equipment	13,624	2,040
Decrease (increase) in refundable deposits	36,976	(72,593)
Decrease (increase) in other financial assets	334,125	(10,104)

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HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Decrease (increase) in other non-current assets	$ 181,650	$ (70,127)
Increase in prepayments for machinery and equipment	(1,477,421)	(1,421,718)
Dividend received from associates	3,989	3,263
Net cash used in investing activities	(3,511,181)	(3,280,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(1,410,118)	1,638,854
Proceeds from long-term borrowings	3,321,942	2,081,710
Repayments of long-term borrowings	(1,779,721)	(1,667,240)
Repayments of finance lease payable	(2,645)	(17,195)
Increase (decrease) in other non-current liabilities	(146)	5,584
Dividends paid	(565,485)	(836,593)
Changes in non-controlling interests	77,253	239,502
Net cash generated from (used in) financing activities	(358,920)	1,444,622
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(65,934)	(61,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	492,535	(850,643)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,609,363	2,460,006
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,101,898	$ 1,609,363

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Corporation was approved by the Securities and Futures Bureau (SFB) 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, 2017.

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

a. 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) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

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 by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include 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, 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 relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction 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 after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment 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
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
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 amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards 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 the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. 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 the collecting of contractual cash flows and the selling of 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 gain or loss shall be recognized in other comprehensive income, except for impairment loss and reversal of impairment loss 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.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily 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 the 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize 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 entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) 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 lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for 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 by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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 the 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 the 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 date of acquisition up to the effective date of disposal, 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 Group’s interests 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 the detailed information of subsidiaries (including the percentage of ownership and main business).

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 not retranslated.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

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. 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 that 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 are 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 the 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 the Group's share of equity of associates. If the Group's ownership interest is reduced due to the 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 by 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 by 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 the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Impairment loss does not from 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 its 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 the lease term is shorter than the useful lives, 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 estimate 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 to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An 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 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 life, residual value, and amortization method 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 expenditure

Expenditure on research activities is recognized as an expense in the period in which it is 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 expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they 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 an 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 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 the acquisition or issue 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 category

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 the 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 27.

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 carried 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 the investment is disposed of or is 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 carried 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 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 at amortized cost using the effective interest method, 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 asset, 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 default on receivables, and other situation.

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 measured 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 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 that financial asset because of financial difficulties.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the 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 the 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 situation, all the financial liabilities are measured 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 the financial liability 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 27.

b) Derecognition of financial liabilities

The difference between the carrying amount of the 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 derivative financial instruments 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 the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and 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 effective interest rate applicable.

o. Leasing

Leases are classified as finance leases whenever the terms of the 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 an expense 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 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 service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense 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 liability are recognized as employee benefits expense in the period 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 liability represents 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 the 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the 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 liability is settled or the asset 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 tax for the year

Current and deferred tax 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 tax 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	
	2016	**2015**
Cash on hand	$ 2,081	$ 2,558
Checking accounts and demand deposits	1,711,653	1,568,993
Pledged time deposits	81,450	415,875
Cash equivalents		
Time deposits	388,164	37,812
	2,183,348	2,025,238
Less: Pledged time deposits		
Current (classified as other current assets)	(81,450)	(409,667)
Non-current (classified as other non-current assets)	-	(6,208)
	$ 2,101,898	$ 1,609,363

Rate of interest per annum (%)		
Cash in bank	0.00-1.76	0.00-5.25
Pledged time deposits	0.17-2.80	0.13-3.35

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, 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
December 31, 2015			
Sell	EUR/NTD	2016.1.22-2016.4.20	EUR4,600/NTD163,682
Sell	USD/NTD	2016.1.4-2016.4.8	USD5,100/NTD166,566
Sell	CNY/NTD	2016.1.4-2016.4.27	CNY49,800/NTD247,762
Buy	JPY/NTD	2016.1.22-2016.3.3	JPY48,000/NTD13,104

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 2016	December 31 2015
Domestic unlisted common shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	$ 63,440	$ 63,440
Sunengine Corporation Ltd. (Sunengine)	49,338	58,138
Taichung International Country Club	2,100	2,100
King Kong Iron Work Ltd.	-	-
	114,878	123,678
Overseas unlisted common shares		
Kaland Holdings Corp. (Kaland)	236,266	236,266
Hiwin (Schweiz) GmbH	3,320	3,320
	$ 354,464	$ 363,264

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 2016	December 31 2015
Notes receivable from unrelated parties		
Notes receivable	$ 581,491	$ 610,042
Less: Allowance for impairment loss	(5,073)	(1,208)
Notes receivable discounted	-	(45,780)
	$ 576,418	$ 563,054
Trade receivables from unrelated parties		
Trade receivables	$ 4,096,608	$ 4,979,039
Less: Allowance for impairment loss	(88,656)	(89,221)
	$ 4,007,952	$ 4,889,818

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 2016	December 31 2015
Not past due	$ 3,762,075	$ 3,597,947
1-30 days	129,362	364,264
31- 60 days	49,882	155,424
61-120 days	109,924	617,909
121-180 days	23,197	159,510
More than 180 days	22,168	83,985
	$ 4,096,608	$ 4,979,039

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

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					
	2016			2015		
	Notes Receivable	Trade Receivables	Other Receivables	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1	$ 1,208	$ 89,221	$ 68,776	$ 1,973	$ 65,531	$ 77,367
Acquisitions through business combination	-	-	-	-	4,309	-
Add: Impairment loss recognized (reversed) on receivables	4,059	2,058	(54,932)	(765)	11,995	-
Less: Amounts written off as uncollectable	-	(1,155)	(147)	-	(1,387)	-
Amounts reclassified	-	-	-	-	8,591	(8,591)
Effect of exchange rate changes	(194)	(1,468)	-	-	182	-
Balance at December 31	$ 5,073	$ 88,656	$ 13,697	$ 1,208	$ 89,221	$ 68,776

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 2016	December 31 2015
1-30 days	$ 83,049	$ 329,364
31-60 days	31,011	141,588
	$ 114,060	$ 470,952

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

	December 31	
	2016	2015
1-30 days	$ 46,313	$ 34,900
31-60 days	18,871	13,836
61-120 days	109,924	617,909
121-180 days	23,197	159,510
More than 180 days	22,168	83,985
	$ 220,473	$ 910,140

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

10. INVENTORIES

	December 31	
	2016	2015
Merchandise	$ 2,727	$ 1,781
Finished goods	1,711,965	2,712,651
Work in process	1,202,354	1,099,802
Raw materials and supplies	1,348,301	1,443,385
Inventory in transit	192,329	266,663
	$ 4,457,676	$ 5,524,282

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $10,816,253 thousand and $9,547,429 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 included inventory write-downs of $276,355 thousand and $112,964 thousand, and unallocated fixed overhead of $138,195 thousand and $164,519 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership	
			December 31	
Investor	Investee	Main Business	2016	2015
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

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2016	2015
The Corporation	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	58	48
	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	47	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	-
Hiwin Germany	Hiwin Italy	Sale of aerospace parts, ballscrews, linear guideways and industrial robots	6	100
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 Precision (Xiamen) Co., Ltd. (Luren Xiamen)	Sale of gear cutting tools	-	100

(Concluded)

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.

After the Corporation's adjustment to the structure of the organization of the Group due to the request of the management, the Corporation increased the capital of Hiwin Italy with cash in December 2016 to directly hold 94% of Hiwin Italy. Originally, the Corporation indirectly held of 100% of the shares of Hiwin Italy through Hiwin Germany.

Luren Xiamen completed its liquidation procedures in June 2016.

The Corporation has taken practical control over Luren since May 1, 2015 and included it in the 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	
	2016	2015
Eterbright	42%	52%
Luren	53%	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	
	2016	2015	2016	2015
Eterbright	$ (308,877)	$ (234,231)	$ 564,496	$ 664,612
Luren	(53,935)	(14,686)	136,146	190,081
	$ (362,812)	$ (248,917)	$ 700,642	$ 854,693

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	
	2016	2015
Current assets	$ 374,219	$ 483,174
Non-current assets	2,301,322	1,953,591
Current liabilities	(627,717)	(882,484)
Non-current liabilities	(695,738)	(270,752)
Equity	$ 1,352,086	$ 1,283,529
Equity attributable to:		
Owners of Eterbright	$ 787,590	$ 618,917
Non-controlling interests of Eterbright	564,496	664,612
	$ 1,352,086	$ 1,283,529

	For the Year Ended December 31	
	2016	**2015**
Revenue	$ 91,437	$ 34,232
Net loss for the year	$ (691,443)	$ (452,210)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	$ (691,443)	$ (452,210)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	$ (382,566)	$ (217,979)
Non-controlling interests of Eterbright	(308,877)	(234,231)
	$ (691,443)	$ (452,210)
Net cash inflow (outflow) from:		
Operating activities	$ (447,795)	$ (459,718)
Investing activities	(588,886)	(154,424)
Financing activities	973,101	630,906
Net cash inflow (outflow)	$ (63,580)	$ 16,764
Dividends paid to non-controlling interests	$ -	$ -

Luren and Luren's subsidiaries

	December 31, 2016	**December 31, 2015**
Current assets	$ 596,876	$ 530,089
Non-current assets	338,614	203,677
Current liabilities	(637,375)	(324,370)
Non-current liabilities	(41,187)	(50,685)
Equity	$ 256,928	$ 358,711
Equity attributable to：		
Owners of Luren	$ 120,782	$ 168,630
Non-controlling interests of Luren	136,146	190,081
	$ 256,928	$ 358,711

	For the Year Ended December 31, 2016	For the Eight Months Ended December 31, 2015
Revenue	$ 509,599	$ 445,960
Net loss for the period	$ (103,465)	$ (25,338)
Other comprehensive income (loss) for the period	1,682	(2,337)
Total comprehensive loss for the period	$ (101,783)	$ (27,675)
Loss attributable to:		
Owners of Luren	$ (47,421)	$ (11,890)
Non-controlling interests of Luren	(56,044)	(13,448)
	$ (103,465)	$ (25,338)
Total comprehensive loss attributable to:		
Owners of Luren	$ (47,848)	$ (12,989)
Non-controlling interests of Luren	(53,935)	(14,686)
	$ (101,783)	$ (27,675)
Net cash inflow (outflow) from:		
Operating activities	$ (60,735)	$ (99,706)
Investing activities	(174,915)	(20,856)
Financing activities	248,369	153,021
Net cash inflow	$ 12,719	$ 32,459
Dividends paid to non-controlling interests	$ -	$ -

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Associates that are not individually materials	$ 138,420	$ 126,244

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
Profit for the year	$ 19,158	$ 23,087
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	$ 19,158	$ 23,087

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, 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

	For the Year Ended December 31, 2015						
	Beginning Balance	Acquisitions Through Business Combination	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost							
Land	$ 3,157,976	$ -	$ 37,576	$ -	$ 348,793	$ (3,159)	$ 3,541,186
Buildings and improvements	5,805,178	89,560	39,674	(2,357)	177,054	(13,966)	6,095,143
Machinery and equipment	9,014,785	573,970	423,482	(268,618)	600,977	(7,253)	10,337,343
Transportation equipment	118,158	4,778	43,606	(9,118)	8,410	(2,690)	163,144
Leased assets	531,494	-	2,189	-	(348,793)	163	185,053
Leasehold improvements	57,717	17,797	5,390	-	35,196	173	116,273
Miscellaneous equipment	1,335,900	68,990	151,660	(38,662)	12,876	(2,467)	1,528,297
Construction in progress	211,700	27,143	590,559	-	(189,092)	(4,997)	635,313
Prepayments for land	-	-	13,084	-	-	-	13,084
	20,232,908	$ 782,238	$ 1,307,220	$ (318,755)	$ 645,421	$ (34,196)	22,614,836
Accumulated depreciation and impairment							
Buildings and improvements	784,276	$ 47,297	$ 145,944	$ (2,357)	$ -	$ (4,931)	970,229
Machinery and equipment	3,678,298	459,476	1,067,402	(267,140)	(22)	(2,984)	4,935,030
Transportation equipment	60,235	3,852	25,918	(8,643)	148	(1,166)	80,344
Leased assets	1,341	-	36	-	-	52	1,429
Leasehold improvements	24,959	16,570	19,315	-	-	552	61,396
Miscellaneous equipment	425,424	60,213	187,214	(36,150)	(126)	(953)	635,622
	4,974,533	$ 587,408	$ 1,445,829	$ (314,290)	$ -	$ (9,430)	6,684,050
	$ 15,258,375						$ 15,930,786

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
Leasehold improvements	5-15 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

14. PREPAYMENTS FOR LEASE

	December 31	
	2016	**2015**
Current (classified as other current asset)	$ 1,828	$ 1,978
Non-current	85,316	94,279
	$ 87,144	$ 96,257

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.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	**2015**
Secured borrowings		
Loans for export sales	$ 1,022,316	$ 1,010,000
Working capital loans	625,592	525,834
Loans for purchasing raw material	38,062	-
Usance letters of credit	35,206	142,747
	1,721,176	1,678,581
Unsecured borrowings		
Line of credit borrowings	3,000,000	4,451,022
	$ 4,721,176	$ 6,129,603

(Continued)

	December 31	
	2016	2015
Rate of interest per annum (%)		
Loans for export sales	0.80-1.63	0.93-1.03
Working capital loans	1.35-2.55	0.80-2.00
Loans for purchasing raw material	1.48-1.59	-
Usance letters of credit	1.06-1.66	0.61-1.06
Line of credit borrowings	0.92-1.06	0.96-1.89

(Concluded)

b. Long-term borrowings

	December 31	
	2016	2015
Secured borrowings (Note 29)		
Secured loans	$ 8,254,075	$ 7,029,996
Unsecured borrowings		
Unsecured loans	900,500	600,000
	9,154,575	7,629,996
Less: Current portion	(2,103,196)	(1,502,149)
Long-term borrowings	$ 7,051,379	$ 6,127,847
Rate of interest per annum (%)		
Secured loans	1.02-4.45	1.37-4.45
Unsecured loans	0.98-2.10	1.06-1.14

To meet the requirements of long-term financial plans, working capital needs, and capital project expenditures, the Corporation entered into a $4.3 billion syndicated loan agreement with 13 banks, led by Taiwan Bank, in October 2006. The loan period was from 3 to 10 years, depending on the loan type, starting from the first loan drawdown.

Under the loan agreement, the Corporation commits: (a) current ratio no lower than 100%, debt ratio no higher than 150%, interest coverage ratio at least 150% and tangible net equity ratio at certain level, based on the Corporation’s annual unconsolidated financial statements; and (b) not dispose of important assets and rights, buy back treasury stocks, decrease issued capital, merge with other companies, split off or reduce the collaterals unless there is written approval from a majority of the syndicated banks. According to the terms of the loan agreement, in case the Corporation fails to meet the above requirements regarding financial ratios, the Corporation should seek improvement within 6 months based on semiannual unconsolidated financial statements. If the situation did not improve after the evaluation, the Corporation should pay extra interest of 0.25% for the unpaid principal retroactive from the start date of default to the date the deficiency has been resolved. Also, the banks have the rights to call the loan from the Corporation.

The Corporation had repaid in advance the syndicated loans in May, 2015 due to business requirement and capital management.

16. FINANCE LEASE PAYABLES

		December 31, 2015
Minimum lease payments		
Not later than 1 year	$	12,412
Later than 1 year and not later than 5 years		49,649
Later than 5 years		115,903
		177,964
Less: Future finance charges		(25,405)
Present value of minimum lease payments	$	152,559
Present value of minimum lease payments		
Not later than 1 year	$	10,104
Later than 1 year and not later than 5 years		43,553
Later than 5 years		98,902
	$	152,559

In September 2003, January 2006 and September 2007, the Corporation signed land lease contract with Industrial Development Bureau (IDB), Ministry of Economic Affairs. The parcels of land, measuring 50,683, 18,004 and 5,602 square meters, are located in Yunlin Technology Industrial Park.

Rentals were calculated by annual rental rate based on land market price. The market price was $9,408, $10,517 and $11,409 per square meter on the contract date. The annual rental rates are subject to adjustment twice a year on January 1 and July 1 according to long-term loan interest rate promulgated by the Executive Yuan. The adjustment also takes consumer price index into account annually. The annual rental rate was 4.2% since December 2012.

The aforementioned land lease contract concluded and signed by the Corporation and IDB provides that the first two years' rental would be free, and 60% of the rental for third and fourth years, and 80% for fifth and sixth years will be payable. Moreover, according to the regulations of land leasing in Yunlin Technology Industrial Park, the lease period should be at least for 6 years and should not be longer than 20 years. The Corporation has an option to buy the land from IDB during the period of the lease. Price to be paid will be based on the market price at the contract date and on the Industry Development Fund of this area. However, the rentals paid would be deductible. The implied rates of the three lease contracts are 2.91%, 3.054% and 2.71%, respectively.

On June 2 and December 25, 2015, the Corporation's board of directors had approved the application to purchase the leased land located in Yunlin Technology Industrial Park as described above from the Ministry of Economic Affairs. The total purchase price was $481,592 thousand and $255,793 thousand, respectively. The Corporation had paid the remaining amount in August 2015 and April 2016, respectively, after deduction of the paid rentals.

17. OTHER PAYABLES

	December 31	
	2016	2015
Payable for salaries and bonus	$ 481,139	$ 482,135
Payable for purchase of land, building and equipment	171,480	171,999
Payable for annual leave	96,656	80,824
Payable for compensation to employees	93,000	130,788
Payable for remuneration to directors and supervisors	42,771	61,975
Others	411,790	281,982
	$ 1,296,836	$ 1,209,703

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 plan adopted by the Corporation and Luren of the Group in accordance with the Labor Standards Law is operated by the government. 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	
	2016	2015
Present value of defined benefit obligation	$ 403,760	$ 404,466
Fair value of plan assets	(128,373)	(127,541)
Net defined benefit liability	$ 275,387	$ 276,925

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 Liability
Balance at January 1, 2015	$ 304,734	$ (84,987)	$ 219,747
Acquisitions through business combination	83,014	(36,331)	46,683
Service cost			
Current service cost	5,397	-	5,397
Net interest expense (income)	7,911	(2,519)	5,392
Recognized in profit or loss	13,308	(2,519)	10,789
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	25,357	(664)	24,693
Actuarial loss - changes in demographic assumptions	2,255	-	2,255
Actuarial gain - experience adjustments	(12,225)	-	(12,225)
Recognized in other comprehensive income	15,387	(664)	14,723
Contributions from the employer	-	(15,017)	(15,017)
Benefits paid	(11,977)	11,977	-
Balance at December 31, 2015	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

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 plan's 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	
	2016	**2015**
Discount rates	1.50%, 1.80%	1.50%, 1.75%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%
Turnover rate	1.29%	1.57%

If possible reasonable change 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	
	2016	**2015**
Discount rate		
0.25% increase	$ (9,347)	$ (9,783)
0.25% decrease	$ 9,745	$ 10,212
Expected rate of salary increase		
0.25% increase	$ 9,672	$ 10,136
0.25% decrease	$ (9,325)	$ (9,760)
Turnover rate		
10% increase	$ (795)	$ (1,118)
10% decrease	$ 801	$ 1,129

Luren

	December 31	
	2016	**2015**
Discount rate		
0.50% increase	$ (6,367)	$ (6,373)
0.50% decrease	$ 7,064	$ 7,124
Expected rate of salary increase		
0.50% increase	$ 6,942	$ 6,996
0.50% decrease	$ (6,326)	$ (6,329)

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	
	2016	**2015**
The expected contributions to the plan for the next year	$ 11,460	$ 11,501
The average duration of the defined benefit obligation	11.9 years, 16.0 years	12.4 years, 16.3 years

19. EQUITY

a. Common stock

	December 31	
	2016	2015
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)	274,664	269,278
Shares issued	$ 2,746,640	$ 2,692,785

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 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 dividend 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, had 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 distribution of employees’ compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, setting at most 6% as dividends, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees’ compensation and remuneration of directors and supervisors before and after amendment, please refer to b. Employee benefits expense, depreciation and amortization expenses in Note 20.

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 2015 and 2014 having been approved in the shareholders' meetings on June 28, 2016, and June 25, 2015, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	$ 164,224	$ 240,491		
Appropriation special reserve	77,063	14,561		
Cash dividends	565,485	836,593	$ 2.1	$ 3.2
Share dividends	53,855	78,431	0.2	0.3

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on March 22, 2017. The appropriations were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 132,682	
Appropriation special reserve	173,909	
Cash dividends	439,462	$ 1.6
Share dividends	54,933	0.2

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on June 28, 2017.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Information about capitalized interest

	For the Year Ended December 31	
	2016	2015
Capitalized interest	$ 29,369	$ 18,735
Capitalization rates	1.33%-1.56%	1.51%-1.65%

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
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

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2015			
Short-term employee benefits	$ 2,312,920	$ 1,453,224	$ 3,766,144
Post-employment benefits			
Defined contribution plans	93,782	28,586	122,368
Defined benefit plans	8,259	1,778	10,037
Other employee benefits	115,689	36,292	151,981
Depreciation expenses	1,176,857	176,411	1,353,268
Amortization expenses	6,075	15,681	21,756

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting on June, 2016, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates 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, 2016 and 2015 which have been approved by the Corporation's board of directors on March 22, 2017 and March 26, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
Cash	Accrual rate	Amount	Accrual rate	Amount
Employees' compensation	5.3%	$ 85,543	5.6%	$ 123,951
Remuneration to directors and supervisors	2.6%	42,771	2.8%	61,975

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, 2015.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 25, 2015 were as follows:

Cash	For the Year Ended December 31, 2014
Bonus to employees	$ 199,299
Remuneration of directors and supervisors	99,650

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting above and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 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	
	2016	2015
Current tax		
In respect of the current year	$ 177,252	$ 346,737
Income tax of unappropriated earnings	76,799	122,919
Adjustments for prior years	(7,516)	(4,269)
	246,535	465,387
Deferred tax		
In respect of the current year	(17,615)	(25,760)
Income tax expense recognized in profit or loss	$ 228,920	$ 439,627

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

	For the Year Ended December 31	
	2016	2015
Income tax expense calculated at the statutory rate	$ 315,691	$ 409,731
Nondeductible expenses in determining taxable income	408	479
Tax-exempt income	(79,560)	(68,117)
Others	2,044	(394)
Income tax on unappropriated earnings	76,799	122,919
Investment tax credits used	(60,346)	(56,296)
Loss carryforward used	-	(5,582)
Current tax	255,036	402,740
Unrecognized deductible temporary differences	(18,600)	41,156
Adjustments for prior years' tax	(7,516)	(4,269)
Income tax expense recognized in profit or loss	$ 228,920	$ 439,627

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.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (35,694)	$ (15,758)
Remeasurement of defined benefit plans	(3,840)	-
	$ (39,534)	$ (15,758)

c. Deferred tax assets and liabilities

	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

	For the Year Ended December 31, 2015			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 74,008	$ 15,716	$ -	$ 89,724
Doubtful debts	15,298	3,490	-	18,788
Allowance for inventory devaluation	16,092	11,695	-	27,787
Payable for annual leave	10,603	812	-	11,415
Defined benefit obligation	10,406	(70)	-	10,336
Impairment loss on financial assets	1,564	(902)	-	662
Provisions	5,896	(2,435)	-	3,461
FVTPL financial liabilities	3,925	(3,608)	-	317
Exchange difference on foreign operations	2,983	-	15,758	18,741
Capitalized expenses	6,172	1,017	-	7,189
Deferred expenses	-	4,294	-	4,294
Others	7,044	(663)	-	6,381
	$ 153,991	$ 29,346	$ 15,758	$ 199,095
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 139,700	$ 4,410	$ -	$ 144,110
Unrealized cost of goods sold	7,974	3,094	-	11,068
Unrealized foreign currency exchange gain	27,033	(16,686)	-	10,347
Depreciation expenses	2,754	(292)	-	2,462
Intangible assets	-	6,694	-	6,694
Others	2,928	6,366	-	9,294
	$ 180,389	$ 3,586	$ -	$ 183,975

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

	December 31	
	2016	**2015**
Investment loss	$ 442,703	$ 519,309
Deductible temporary difference	344,206	135,003
Loss carryforwards	2,405,221	1,562,455
	$ 3,192,130	$ 2,216,767

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2016 comprised of:

Investee	Unused Amount	Expiry Year
Eterbright	$ 1,536,537	2021-2026
Hiwin Japan	503,399	2018-2025
Luren	175,928	2023-2026
Hiwin Korea	107,784	2023-2026
Hiwin Singapore	81,573	Unlimited duration
	$ 2,405,221	

f. Information about tax-exemption

As of December 31, 2016, 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	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ -
Generated on and after January 1, 1998	9,459,908	9,122,242
	$ 9,459,908	$ 9,122,242
Imputation credits account	$ 1,842,316	$ 1,752,462

The creditable ratio for distribution of earnings of 2016 and 2015 was 20.23% (expected ratio) and 21.20%, respectively.

h. Income tax assessments

The tax returns of the Corporation, Eterbright and Luren through 2014, 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, 2016			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,326,815	274,664	$4.83
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	275,434	$4.82
For the Year Ended December 31, 2015			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,642,238	274,664	$5.98
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	1,472	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,642,238	276,136	$5.95

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 3, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 6.10	$ 5.98
Diluted earnings per share	$ 6.07	$ 5.95

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. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Luren	Research, development, produce, manufacture and sale of gear cutting tools and machinery	April 30, 2015	48	$ 294,145

Luren was acquired in order to obtain the key technique of products.

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

Current assets	
Cash and cash equivalents	$ 53,292
Trade and other receivables	114,248
Inventories	221,899
Other current assets	18,797
Non-current assets	
Plant and equipment	194,830
Deferred tax assets	6,877
Other non-current assets	5,776
Current liabilities	
Short-term borrowings	(126,325)
Trade and other payables	(117,941)
Other current liabilities	(78,546)
Non-current liabilities	
Long-term borrowings	(8,325)
Deferred tax liabilities	(148)
Other non-current liabilities	(48,048)
	$ 236,386

c. Goodwill arising on acquisition

Consideration transferred	$ 294,145
Less: Fair value of identifiable net assets acquired	(116,230)
Goodwill recognized on acquisition	$ 177,915

Goodwill is the control premium obtained when Luren was acquired. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	$ 294,145
Less: Cash and cash equivalent balances acquired	(53,292)
	$ 240,853

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

On May 4, 2015, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, increasing its continuing interest from 48.17% to 48.22%.

On June 17, 2015, the Corporation subscribed for additional new shares of Luren at a percentage different from its existing ownership percentage, reducing its continuing interest from 48% to 47%.

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

25. OPERATING LEASE ARRANGEMENTS

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

Year	**Amount**
2017	$ 130,495
2018	97,631
2019	68,667
2020	42,268
2021	43,040
	$ 382,101

26. 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.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are 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	
	2016	2015
Financial assets		
Fair value through profit or loss	$ 6,347	$ 877
Loans and receivables	6,776,674	7,197,625
Held-to-maturity financial assets	3,033	3,146
Financial assets measured at cost	354,464	363,264
Financial liabilities		
Fair value through profit or loss	2,082	2,741
Amortized cost	17,425,097	17,419,212

The balance included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties) and refundable deposits.

The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including from related parties), other payables, long-term borrowings, and finance lease payables.

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 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 31.

<u>Sensitivity analysis</u>

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, 2016 and 2015 would have decreased by $37,028 thousand and $46,263 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	
	2016	**2015**
Fair value interest rate risk		
Deposits in bank	$ 469,613	$ 453,687
Finance lease payables	-	152,559
Short-term borrowings	36,798	284,311

	December 31	
	2016	2015
Cash flow interest rate risk		
Deposits in bank	$ 1,592,991	$ 1,427,508
Short-term borrowings	4,684,378	5,845,292
Long-term borrowings	9,154,575	7,629,996

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, 2016 and 2015 would decrease by $101,641 thousand and $99,997 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 82% and 86% of the total trade receivables as of December 31, 2016 and 2015, 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, 2016 and 2015, the Group had available unutilized bank loan facilities of $ 7,412,944 thousand and $4,805,654 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, 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	$ -	$ -
December 31, 2015			
Non-derivative financial liabilities			
Non-interest bearing	$ 3,507,054	$ -	$ -
Finance lease liabilities	10,104	43,553	98,902
Fixed interest rate liabilities	284,311	-	-
Variable interest rate liabilities	7,347,441	3,820,783	2,307,064
	$ 11,148,910	$ 3,864,336	$ 2,405,966
Derivative financial liabilities			
Foreign exchange forward contracts	$ 2,741	$ -	$ -

28. 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. Operating transactions

	For the Year Ended December 31	
	2016	2015
1) Sales of goods		
Associates	$ 155,904	$ 146,206
Others	64,340	88,315
	$ 220,244	$ 234,521

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	
	2016	2015

2) Purchases of goods

	2016	2015
Others	$ 582,744	$ 584,357
Associates	-	47
	$ 582,744	$ 584,404

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	
	2016	2015
Non-operating income-dividend income (classified as other revenue)		
Others	$ 848	$ 1,468
Manufacturing and operating expenses		
Others	$ 6,712	$ 5,980
Associates	4,990	3,245
	$ 11,702	$ 9,225
Operating expenses - donations		
Others	$ 10,863	$ 15,710

	December 31	
	2016	2015

4) Notes receivable

	2016	2015
Others	$ 1,347	$ 1,709

5) Trade receivables

	2016	2015
Associates	$ 13,396	$ 13,525
Others	4,704	11,444
	$ 18,100	$ 24,969

6) Trade payables

	2016	2015
Others	$ 163,514	$ 191,766

b. Property, plant and equipment acquired

	Price	
	For the Year Ended December 31	
	2016	2015
Others	$ 4,997	$ 3,750

c. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 206,512	$ 212,686
Post-employment benefits	1,108	1,007
Other long-term employee benefits	2,195	2,122
	$ 209,815	$ 215,815

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for capital lease of land, short-term and long-term bank loans, lawsuit and guarantee of customs duties:

	December 31	
	2016	2015
Property, plant and equipment	$ 12,374,868	$ 12,385,799
Pledge deposits	81,449	415,875
	$ 12,456,317	$ 12,801,674

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2016 and 2015, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $504,409 thousand and $129,736 thousand, respectively.

b. As of December 31, 2016 and 2015, the Group had a commitment to buy property, plant and equipment for $2,721,520 thousand and $2,863,966 thousand, respectively.

31. 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, 2016			December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**	**Foreign Currencies**	**Exchange Rate**	**Carrying Amount**
Financial assets						
Monetary items						
USD	$ 25,835	32.25	$ 833,166	$ 35,303	32.825	$ 1,158,820
EUR	23,931	33.9	811,275	18,910	35.88	678,503
JPY	1,170,446	0.2756	322,575	1,405,818	0.2727	383,367
CNY	600,051	4.617	2,770,437	752,781	4.995	3,760,143
Non-monetary items						
USD	8,168	32.25	263,418	8,168	32.825	268,115
ILS	7,446	8.350	62,172	6,175	8.427	52,042
Financial liabilities						
Monetary items						
USD	3,428	32.25	110,548	3,643	32.825	119,594
EUR	1,516	33.9	51,386	1,473	35.88	52,861
JPY	386,290	0.2756	106,461	853,676	0.2727	232,798
CNY	1,707	4.617	7,879	359	4.995	1,791

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			
	2016		2015	
Foreign Currencies	**Exchange Rate**	**Net Foreign Exchange Loss**	**Exchange Rate**	**Net Foreign Exchange Loss**
NTD	1 (NTD:NTD)	$ (375,836)	1 (NTD:NTD)	$ (47,698)

32. 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 investment 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 27)

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 receiving of services. (None)

33. 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	
	2016	2015	2016	2015
Linear guideways	$ 9,759,034	$ 8,807,589	$ 1,782,628	$ 1,522,990
Ballscrews	3,599,158	3,912,283	196,991	404,656
Others	2,760,106	2,161,176	(528,172)	(25,029)
Total from continuing operations	$ 16,118,298	$ 14,881,048	1,450,907	1,902,617
Subsidy revenue			51,651	61,282
Finance costs			(160,122)	(170,793)
Share of profit of associates accounted for using equity method			19,158	23,087
Interest income			16,399	18,728
Other income			172,221	86,299
Net foreign exchange loss			(378,412)	(45,065)
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss			35,561	(5,163)
Other expenses			(8,866)	(4,114)
Impairment loss on plant, property and equipment			-	(18,684)
Impairment loss on financial assets			(8,800)	(14,008)
Profit before income tax			$ 1,189,697	$ 1,834,186

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2016 and 2015.

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 loss, valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss, other expenses, impairment loss on plant, property and equipment, impairment loss on financial assets 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	
	2016	2015	2016	2015
Taiwan	$ 9,945,102	$ 10,054,937	$ 18,943,485	$ 17,606,682
Germany	2,282,914	2,196,474	993,063	886,954
Japan	884,616	755,369	25,895	14,898
USA	842,388	790,770	406,923	35,745
Others	2,163,278	1,083,498	486,464	254,666
	$ 16,118,298	$ 14,881,048	$ 20,855,830	$ 18,798,945

d. Information about major customers

	For the Year Ended December 31			
	2016		2015	
Names	**Amount**	**%**	**Amount**	**%**
Customer A	$ 1,939,816	12	$ 2,098,539	14
Customer B	1,794,894	11	1,047,972	7
Customer C	1,098,841	7	793,157	5

TABLE 1

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 (Note 5)	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 Japan	Other receivables from related parties	Yes	$ 100,000	$ -	$ -	1.74%	1	Sales $496,695 Purchases 2,445	-	$ -	-	$ -	$ 1,410,161	$ 4,230,483
0	The Corporation	Hiwin Italy	Other receivables from related parties	Yes	206,402	76,699	76,699	1.74%	1	Sales 325,198	-	-	-	-	1,410,161	4,230,483
0	The Corporation	Eterbright	Other receivables from related parties	Yes	780,000	630,000	439,000	1.74%	2	-	Operating capital	-	Promissory note and equipment	630,000	1,410,161	4,230,483

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.

Note 2: Nature of the loan funds:
1. Business relationship.
2. Necessary for short-term financing.

Note 3: For the financing provided by each subsidiary, the maximum amount should not exceed 30% of the Corporation's net assets as shown in its latest financial statements.

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, 2016
(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	$ 1,410,161	$ 230,717 (USD 7,154)	$ 230,717 (USD 7,154)	$ 10,374 (USD 322)	$ -	2	$ 4,935,564	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	1,410,161	32,250 (USD 1,000)	32,250 (USD 1,000)	20,801 (USD 645)	-	-	4,935,564	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	1,410,161	64,500 (USD 2,000)	32,250 (USD 1,000)	-	-	-	4,935,564	Yes	-	-

Note 1: The maximum is 10% of the net assets of the Corporation as shown in the latest financial statements.

Note 2: The maximum amount of the total guarantee is 35% of the Corporation’s net assets as shown in its latest financial statements.

Note 3: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on December 31, 2016.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(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, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 1)	
The Corporation	Capital stock							
	Kaland	-	Financial assets measured at cost - non-current	389	$ 236,266	19	$ 283,996	
	Sunengine	-	Financial assets measured at cost - non-current	6,203,093	49,338	10	49,434	
	Hiwin Mikrosystem	-	Financial assets measured at cost - non-current	8,610,420	63,440	9	168,859	
	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, 2016.

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

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, 2016
(In Thousands of New Taiwan Dollars and Foreign Currency)

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 4)
The Corporation	Share capital	Investments accounted for using equity method	Hiwin China	Subsidiary	-	$ 984,615	-	$ 392,501 (CNY 78,300)	-	$ -	$ -	$ -	$ 64,643 (Note 1)	-	$ 1,441,759
	Capital stock	Investments accounted for using equity method	Eterbright	Subsidiary	115,393,463	633,391	68,274,648	682,746	-	-	-	-	(514,072) (Note 2)	137,751,098 (Note 3)	802,065

Note 1: Including investment income accounted for using equity method $116,223 thousand, exchange differences on translation $(120,801) thousand, and realized intercompany profit $69,221 thousand.

Note 2: Including investment loss accounted for using equity method $(382,564) thousand and decrease of net assets $131,508 thousand from subscribing for additional new shares at a percentage different from its existing ownership percentage.

Note 3: Due to the capital reduction for offsetting the deficit, the shares held decreased by 45,917,013 shares.

Note 4: Significant intercompany accounts and transactions have been eliminated.

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, 2016
(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	Taichung Precision Machinery Science and Technology Innovation Park factory Phase II	2016.3.26	$ 377,000	$ 23,061	Daya Electrical Engineering, Ltd.	None	-	-	-	$ -	Contractors bid	Factory electrical engineering project	-
	Chiayi Dapumei Precision Machinery Park factory	2016.11.8	1,133,000	-	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-
Hiwin China	Suzhou Industrial Park factory Phase I	2016.3.26	378,018	179,293	Zhongyifeng Construction Group Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-
	Suzhou Industrial Park factory Phase II	2016.12.19	587,431	53,048	Zhongyifeng Construction Group Co., Ltd.	None	-	-	-	-	Contractors bid	Factory	-

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, 2016
(In Thousands of New Taiwan Dollars)

Company Name (Note)	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	$ 900,661	7	O/A 120 days	$ -	-	$ 250,028	5	
	Hiwin China	Subsidiary	Sale	981,806	8	O/A 120 days	-	-	241,215	5	
	Hiwin Japan	Subsidiary	Sale	496,695	4	O/A 150-180 days	-	-	298,072	6	
	Hiwin USA	Subsidiary	Sale	222,576	2	O/A 120-180 days	-	-	69,152	1	
	Hiwin Italy	Subsidiary	Sale	325,198	3	O/A 150-180 days	-	-	212,094	5	
	Hiwin Korea	Subsidiary	Sale	104,392	1	O/A 180 days	-	-	57,876	1	
Hiwin Germany	The Corporation	Parent Company	Purchase	900,661	58	O/A 120 days	-	-	250,028	(74)	
Hiwin China	The Corporation	Parent Company	Purchase	981,806	82	O/A 120 days	-	-	241,215	(90)	
Hiwin Japan	The Corporation	Parent Company	Purchase	496,695	44	O/A 150-180 days	-	-	298,072	(53)	
Hiwin USA	The Corporation	Parent Company	Purchase	222,576	94	O/A 120-180 days	-	-	69,152	(100)	
Hiwin Italy	The Corporation	Parent Company	Purchase	325,198	89	O/A 150-180 days	-	-	212,094	(66)	
Hiwin Korea	The Corporation	Parent Company	Purchase	104,392	74	O/A 180 days	-	-	57,876	(89)	
Hiwin Germany	Hiwin Mikrosystem	Other related party	Purchase	186,778	12	O/A 90 days	-	-	(47,518)	(14)	
	Hiwin S.R.O	Associate	Sale	155,904	7	O/A 45 days	-	-	13,396	12	
Hiwin USA	Hiwin Mikrosystem	Other related party	Purchase	204,702	41	O/A 90 days	-	-	(53,846)	(41)	

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, 2016
(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	$ 250,028	3.34	$ -	-	$ 154,008	$ -
	Hiwin Japan	Subsidiary	Trade receivables from related parties	298,072	1.60	-	-	97,211	-
	Hiwin China	Subsidiary	Trade receivables from related parties	241,215	3.94	-	-	139,664	-
	Hiwin Italy	Subsidiary	Trade receivables from related parties	212,094	1.79	-	-	43,332	-
	Eterbright	Subsidiary	Other receivables from related parties	439,565	-	-	-	-	-
	Hiwin Italy	Subsidiary	Other receivables from related parties	76,810	-	-	-	-	-

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, 2016
(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	$ 496,695	O/A 150-180 days	3
			1	Trade receivables	298,072	O/A 150-180 days	1
		Hiwin Germany	1	Sales	900,661	O/A 120 days	6
			1	Trade receivables	250,028	O/A 120 days	1
		Hiwin USA	1	Sales	222,576	O/A 120-180 days	1
			1	Trade receivables	69,152	O/A 120-180 days	-
		Hiwin China	1	Sales	981,806	O/A 120 days	6
			1	Trade receivables	241,215	O/A 120 days	1
		Hiwin Korea	1	Sales	104,392	O/A 180 days	1
			1	Trade receivables	57,876	O/A 180 days	-
		Hiwin Italy	1	Sales	325,198	O/A 150-180 days	2
			1	Trade receivables	212,094	O/A 150-180 days	1
		Eterbright	1	Other receivables	439,565	-	1

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 $59,474 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2016	December 31, 2015	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	$ 970,416	$ 28,365	$ 28,365	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	401,827	(9,105)	(9,105)	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	708,081	470,361	46,200	100	(64,041)	(185,453)	(185,453)	Subsidiary
	Mega Fabs Motion Systems Ltd.	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	-	40	95,001	26,525	10,610	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	1,836,681	1,153,935	137,751,098	58	802,065	(691,442)	(382,564)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	7,506	(37,622)	(37,622)	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	140,665	1,440,000	100	65,437	(53,296)	(53,296)	Subsidiary
	Luren	Taiwan	Research, development, produce, manufacture and sale of gear cutting tools and machinery	358,955	358,955	11,352,373	47	295,913	(103,465)	(50,710)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	3,194	(31)	(31)	Subsidiary
	Hiwin Italy	Italy	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	68,040	-	-	94	91,468	(72,527)	(16,805)	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	43,419 (EUR 1,281)	(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	5,447 (EUR 161)	(Note 1)	(Note 1)	Subsidiary
Luren	Luren Japan	Japan	Sale of gear cutting tools and machinery	7,956	3,571	500	100	1,741	(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	3,591	(Note 1)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward	Inward						
YIFU Finance	Finance lease	$ 806,250 (USD 25,000)	(Note 1)	$ 236,266 (USD 8,168)	$ -	$ -	$ 236,266 (USD 8,168)	$ 47,968	$ 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)	1,105,539 (CNY 221,700)	392,501 (CNY 78,300)	-	1,498,040 (USD 300,000)	116,223	100	$ 116,223 (Notes 4 and 7)	1,441,759 (Note 7)	-
Luren Shanghai	Sale of gear cutting tools and machinery	4,871 (USD 148)	(Note 2)	4,871 (USD 148)	-	-	4,871 (USD 148)	(6,310)	47	(2,966) (Notes 4 and 7)	(6,918) (Note 7)	-
Luren Xiamen	Sale of gear cutting tools	15,104 (USD 500)	(Note 2)	15,104 (USD 500)	-	-	15,104 (USD 500)	(3,194)	-	(1,502) (Notes 4 and 7)	(Note 5)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	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)	$ 1,691,475 (USD 9,500 and CNY 300,000)	(Note 6)
Luren	$ 19,975 (USD 648)	$ 19,975 (USD 648)	$ 154,157 (Note 6)

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: Luren Xiamen completed its liquidation procedures in June, 2016.

Note 6: 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 7: Significant intercompany accounts and transactions have been eliminated.