

Stock Code : 4138



DYNAMIC MEDICAL TECHNOLOGIES INC.

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

Date : June 14, 2018

Location : No.631, Zhongzheng Rd., Zhonghe Dist., New  
Taipei City 23552, Taiwan (R.O.C.)

**(Where any discrepancy arises between the English translation and  
original Chinese version, the Chinese version shall prevail.)**

## **Table of Content**

|  |    |
|--|----|
| I. Meeting Procedure.....  | 2  |
| II. Agenda of Annual Meeting of Shareholders.....  | 3  |
| III. Agenda of Annual Meeting of Shareholders.....   | 4  |
| 1. Call the meeting to order.....  | 4  |
| 2. Chairperson takes chair.....  | 4  |
| 3. Chairperson remarks.....  | 4  |
| 4. Company reports.....  | 4  |
| 5. Proposals.....  | 5  |
| 6. Discussions.....  | 7  |
| 7. Election matters.....   | 7  |
| 8. Other matters.....  | 8  |
| 9. Questions and motions.....  | 8  |
| 10. Adjournment.....   | 8  |
| IV. Appendices .....   | 9  |
| Appendix 1 : Rules of Procedure for Shareholders Meeting .....   | 9  |
| Appendix 2 : Article of Association(before amendment) .....  | 15 |
| Appendix 3 : Annual Business Report .....  | 23 |
| Appendix 4 : Audit Report of Audit Committee .....   | 30 |
| Appendix 5 : Comparison Table of Before and After Revision of Article for<br>“Rule and Procedure for Board of Directors’ Meetings” .....     | 31 |
| Appendix 6 :2017 Independent Auditor’ s Report on Financial Statements and<br>Business Reports.....  | 35 |
| Appendix 7 : Comparison Table for Before and After Revision of<br>Article ” Operational Procedures for Endorsements and Guarantees”<br>..... | 52 |
| Appendix 8 : Comparison Table for Before and After Revision of Article<br>“Articles of Incorporation” .....                                  | 54 |
| Appendix 9 :「Procedures for Election of Directors」 (Re-enactment) .....  | 55 |
| Appendix 10 : The Announcement List of the Director (including Independent<br>Director) Candidates .....                                     | 58 |
| Appendix 11 : Total Shares held by whole shareholders of The Company ....  | 62 |

# **I. Meeting Procedure**

1.Call the meeting to order

2.Chairperson takes chair

3. Chairperson remarks

4.Company reports

5.Proposals

6.Discussion

7.Election matters

8.Other matters

9.Questions and motions

10.Adjournment

## **II. Agenda of Annual Meeting of Shareholders**

**Time:** 9:00 AM on June 14(Thursday), 2018

**Place:** No.631, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)

1. Call the meeting to Order
2. Chairperson takes Chair
3. Chairperson remarks
4. Company reports
  - (1) Reports for Business Status in 2017 and Business Plan in 2018.
  - (2) 2017 Audit Report of Audit Committee.
  - (3) Report on the Endorsement and Guarantee Status.
  - (4) Report for Investment Status in PRC.
  - (5) Report of Distribution on Employee Bonus and Remuration to Directors in 2017.
  - (6) Report for Revision of Part of the Airticle of “Rule and Procedure for Board of Directros’ Meetings”
5. Proposals
  - (1) 2017 Business Report and Financial Statements.
  - (2) 2017 Earnings Distribution Proposal.
6. Discussion
  - (1) Amendment to the Operational Procedures for Endorsements and Guarantees.
  - (2) Amendment to the Articles of Incorporation.
  - (3) Abolishment of the Company’s “Director and Supervisor Election Regulations” and re-enactment of the “Procedures for Election of Directors”.
7. Election matters : Elect the 6th-term directors (including independent directors).
8. Other matters : Proposal of Release the Prohibition on Directors from Participation in Competitive Business.
9. Questions and motions
10. Adjournment

### III. Agenda of Annual Meeting of Shareholders

1. Call the meeting to order ( Report for attendance status of shareholdings )
2. Chairperson takes chair
3. Chairperson remarks
4. Company reports

- (1) Reports for Business Status in 2017 and Business Plan in 2018: Please refer to Appendix 3 of “Annual Business Report” (P23)
- (2) 2017 Audit Report of Audit Committee : Please refer to Appendix 4 of ”Audit Report of Audit Committee” (P30)
- (3) Report on the Endorsement and Guarantee Status :

Explanation : 1.The Company adopts the upper limit of 50% of net value of the financial report in the most recent year that have been audited and examined by CPA in the most recent year. The net value on December 31, 2017 was 1,239,806 thousand NTD, and its subsidiary company, EXCELSIOR BEAUTY Co., Ltd.’s net value was 368,265 thousand NTD on December 31, 2017

2. The Company’s total amount of endorsement guarantee to a single enterprise is not over the upper limit of 20% of net value as mentioned above.

3. The endorsed parties of the Company up to December 31, 2017 are listed as follows :

Unit : NT\$ Thousand

| Parent company or subsidiary | Name of company as endorers       | Endorsed Party                                   | Relationship with the (Note) | The Limited amount of Endorsement to a single enterprise | Balance of the maximum of Endorsement amount in current year. | Balance of Endorsement Amount at the end of the year | Actual disbursement amount | Ratio for Accumulated endorsement amount to the net value of financial report in the most recent year. | Upper limit of Endorsement amount |
|------------------------------|-----------------------------------|--|------------------------------|--|---|--|----------------------------|--|-----------------------------------|
| Parent                       | DYNAMIC MEDICAL TECHNOLOGIES INC. | Dynamic Medical Technologies (Hong Kong) Limited | 2                            | 247,961  | 119,036   | 57,139   | -                          | 4.61%  | 619,903                           |
| Subsidiary                   | EXCELSIOR BEAUTY CO., LTD.        | DYNAMIC MEDICAL TECHNOLOGIES INC.                | 4                            | 73,653   | 100   | -  | -                          | - %  | 184,133                           |

Note : The relationship between endorser and endorsed party is indicated as follows 1.Business relationship between the parties. 2. The subsidiary that the Company directly holds its shareholding of common stock over 50%.3. The investee company that parent company and subsidiary hold its shareholdings of common stock over 50% jointly.4. The parent company that a company directly holds or its subsidiary indirectly holds shareholdings of common stock over 50%.5. The mutual insurance companies within the trade tween according to the contract based on a contracting project.6. The company that investing shareholders make endorsement to by their shareholding ratio due to the relationship of joint investment

(4 ) Report for Investment Status in PRC :

Explanation : The Company's investments in China that approved by Investment Commission, MOEA till December 31 2017 :

Unit : NT\$ Thousand

| Name of Company                  | Contribution Amount | Shareholding Ratio | Major Business  |
|----------------------------------|---------------------|--------------------|---|
| Guangzhou Dynamic Inc.           | \$119,598           | 100%               | Sales and Maintenance Businesses for Medical Appliances |
| Beijing Excelsior Beauty Limited | \$34,424            | 100%               | Sales and Maintenance Businesses for Medical Appliances |

Note: Reinvested Chinese company as trans-investment of current company through a Third Place

(5 ) Report of Distribution on Employee Bonus and Remuration to Directors in 2017.

Explanation : 1. According to the resolution of the Company, employee bonus is NTD 5,980,253, remuneration to directors is NTD 4,985,946 in 2017.

2. The above plans will be distributed by cash and no difference with recognized expense in 2017.

(6) Report for Revision of Part of the Airticle of “Rule and Procedure for Board of Directros’ Meetings”

Explanation : 1. Revision for a part of articles according to practical operations.

2. Please refer to Appendix 5 (p31) of the Handbook as a Comparison table of Before and After Revision of Article

## 5.Proposals

Brief 1 : Adoption of the 2017 Business Report and Financial Statements. **【Proposed by the Board】**

Explanation : 1. Individual financial report and consolidated financial reports for 2017 of the Company have been certified with auditor's report by CPA Charlotte Lin and Leoufong Yang ,KPMG.

2. please refer to Appendix 3 (P23) of the Handbook, Attaches Business Report and Financial Statements of the company, and please refer to Appendix 6 (P35) of the Handbook for ” 2017 Auditor's report, Business Report and Financial statement

3. Proposes to for approval.

Resolution :

Brief 2 : Adoption of the Proposal for Distribution of 2017 Profits. **【Proposed by the Board】**

Explanation : 1.Handles according to the regulations of The Company Act and Article of Association.

2. Retain earning distribution of the Company for 2017 is listed as follows

DYNAMIC MEDICAL TECHNOLOGIES INC.  
PROFIT DISTRIBUTION TABLE Year 2017

| Item   | Unit:NT\$<br>Amount |
|--|---------------------|
| Beginning retained earnings  | \$ 48,149,610       |
| Total share of other comprehensive income (loss) of investment adjusted retained earning accounted for under equity method |                     |
| Total share of other comprehensive income (loss) of investment adjusted retained earning accounted for under equity method | (2,248,940)         |
| Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans                                  | (71,767)            |
| Adjustment of retained earnings  | 45,828,903          |
| Add: net profit after tax  | 113,077,892         |
| Less: legal reserve  | (11,307,789)        |
| Distributable net profit   | 147,599,006         |
| Distributable items:   |                     |
| Cash Dividend to shareholders (Note)   | (102,000,000)       |
| Unappropriated retained earnings   | 45,599,006          |

Note : Cash Dividend per stock for NTD 3.4

Chairman : FU, HUI-TUNG    President : FU, JO-HSUAN    Chief Accounting : CHIANG, CHIH-HAO

3. The distribution for cash dividend will be conducted after approval of annual shareholders' meeting. Board of Directors will regulate base date for dividend and handle distribution affairs for cash dividend. If repurchase stocks of the Company or convert or retire treasury stocks that give impacts on the outstanding shares number to make distribution rate /per stock change, the Company authorizes the chairman to adjust the distribution yield of shareholders according to the resolution for distribution amount and of actual outstanding share number in shareholders' meeting. In addition, cash dividend is counted as integer of dollar, decimal shall be deleted. The Company recognized as other revenue due to cash dividend of this time is under 1 NTD.

4. Proposes to        for approval.

Resolution :

## 6. Discussions

Brief 1 : Amendment to the Operational Procedures for Endorsements and Guarantees.

Please proceed to discuss. **【Proposed by the Board】**

Explanation : 1. Revises a part of the Article according to practical operations.

2. Please refer to Appendix 7 (P52), the Handbook as a Comparison Table for Before and After Revision of Article.

3. Proposes to for discussion

Resolution :

Brief 2 : Amendment to the Articles of Incorporation. Please proceed to discuss. **【Proposed by the Board】**

Explanation : 1. Revises a part of the Article according to practical operations.

2. Please refer to Appendix 8 (p54), the Handbook as a Comparison Table for Before and After Revision of Article.

3. Proposes to for discussion

Resolution :

Brief 3 : Abolishment of the Company's "Director and Supervisor Election Regulations" and re-enactment of the "Procedures for Election of Directors" , Please proceed to discuss. **【Proposed by the Board】**

Explanation : 1. In order to conform to the needs of commercial practice , so re-enactment regulations , Please refer to Appendix 9 (p55).

2. Proposes to for discussion

Resolution :

## 7. Election matters

Brief: Elect the 6th-term directors (including independent directors). **【Proposed by the Board】**

Explanation : 1. The term of office of the 5<sup>th</sup>-term Directors and Independent Directors of the Company will expire on June 17, 2018. For the convening of the general shareholders' meeting of this year and compliance with the Company's Articles of Association which stipulate that there should be seven to nine Directors and no less than two Independent Directors, the Company plans to have nine 6<sup>th</sup>-term Directors (including three Independent Directors) elected.

2. Pursuant to Article 14-4 of the Securities Exchange Act, the Company has set up an Audit Committee which is composed of all Independent Directors, and no Supervisor position will be set up any more.

3. According to the provisions of Article 191-1 of the Company Law, the term of office of the 5<sup>th</sup>-term Directors (including Independent Directors) of the Company will end on the date the new Directors are elected, and



the 6<sup>th</sup>-term Directors (including Independent Directors) shall take over the duties on the date they are elected. The term of office of the 6<sup>th</sup>-term Directors (including Independent Directors) begins on June 14, 2018 and ends on June 13, 2021.

4. For the election of the 6<sup>th</sup>-term Directors and Independent Directors of the Company, except for the nomination of the Board of Directors of the Company, no nomination was made by the shareholders during the nomination period. Please refer to Appendix 10 on page 62 of this manual for a list of the candidates of Directors (including Independent Directors) nominated by the Board of Directors and confirmed qualified, as well as their academic records and work experience, numbers of shares held and other information.

Voting Results :

## 8. Other matters

Brief : Proposes to discussion for Proposal of Release the Prohibition on Directors from Participation in Competitive Business. **【Proposed by the Board】**

- Explanation :
1. According to the regulation , the behavior belongs to the scope of business that directors conduct for his/her own or for others shall explain the major content of the behavior to shareholders' meeting and acquire the approval", Article 209, The Company.
  2. Directors of the Company may invest or operate other business that is the same with the scope of business of the Company, it shall propose to be approved by the shareholders' meeting. New directors have the situations as above; the Company agrees to relapse the directors or its representative's obligation of non-competition.
  3. Propose to for discussion.

Resolution :

## 9. Questions and motions

## 10. Adjournment

## IV. Appendices

### Appendix 1 : Rules of Procedure for Shareholders Meeting

#### Rules of Procedure for Shareholders Meetings

June 18, 2015 Revision by Annual Shareholders Meeting

Article 1 : The shareholders meeting of the Company shall be in compliance with regulations of the rule unless otherwise other regulations stipulated in ordinances or Article of Association.

Article 2 : The shareholders' meeting shall be convened by Board of Directors unless otherwise other regulations of ordinances.

The Company shall upload electronic files for a notice of meeting, a form of power of attorney, causes of various proposals such as relevant approved proposal, discussion proposal, election or dismissal of director and independent director affairs etc. and relevant illustration materials on Market Observation Post System 30 days prior to an annual shareholders' meeting or 15 days prior to a special shareholder's meeting. Moreover, the Company shall make electronic files of the handbook for agenda and meeting supplementary materials for the shareholders' meeting and upload on Market Observation Post System 21 days before an annual shareholders' meeting or 15 days before special shareholders' meeting. The Company shall prepare agenda handbooks and meeting materials for shareholders' meeting 15 days before the date of meeting for satisfying the request of shareholders any time and display in the Company and agents for stock affairs, and it shall provide in the shareholders' meeting on the spot.

The convene cause shall be specified in the notice and announcement and the electronic form can be adopted in the case of agreement of the respondent.

The convene causes shall include election or dismissal of directors and independent directors, change of Article of Association, company dissolution, merger, division or every item in Paragraph 1, Article 185, The Company Act, Article 26-1, Article 43-6, Securities and Exchanges Act rather than proposing them as extempore motions.

Shareholders holding over 1% of total number of outstanding shares may submit the proposal for the annual shareholders' meeting by written form, subject to one item. In the case of over one item of proposal, it shall not regard as proposal. The proposal submitted by shareholders meeting with any item in Paragraph 4, Article 172, The Company Act may not be listed in the proposals by Board of Directors. The Company shall make announcements for accepting the proposal of shareholder, reception place, reception duration before the final day for stock transfer prior to the date of annual shareholders' meeting. The reception duration shall not less than 10 days.

The proposals from shareholders shall be limited in 300 words, the proposal over 300 words shall not be listed as proposal. Shareholders submitting proposals shall attend or delegate others to attend the shareholders' meeting and participate the discussion of the proposal thereof.

The Company shall notify the shareholders' submitting proposals the result of handling the proposals and list them in the notice of meeting if meeting with the

regulation of the Article. Board of Directors shall explain the reason why the proposals excluded from the proposal list for the shareholders' meeting.

Article 3 : Shareholders shall show powers of attorney printed out by the Company at every time of shareholders' meeting and specify the limits of authority to delegate proxies for attending the shareholders' meeting.

One shareholder shall issue one power of attorney and delegate one person only, and shall deliver the power of attorney five days prior to the date of shareholders' meeting. Once powers of attorney are duplicate, the earliest one shall govern, not to subject to the case that making a statement of revocation of previous delegation. Upon arrival of powers of attorney, shareholders intend to attend in person or execute voting rights by written or electronic form, it shall send written notices. Once the revocation is overdue, the proxies delegated executing voting rights shall govern.

Article 4 : The location of shareholders' meeting may be the site of the Company or the place where is convenient for shareholders' attendances, the start time of the meeting shall not earlier than 9:00 AM or later than 3:00PM, the location and time of the meeting shall take into account of the opinion of independent director fully.

Article 5 : The Company shall specifies the reception of shareholders' check in time, location of checking counter and other noticeable events on the meeting notice.

The reception of checking time for shareholders shall be 30 minutes before the time of meeting and the location of checking counter shall be indicated concisely with sufficient and qualified staffs for service.

The shareholder or the proxy for the shareholder( Hereinafter referred to as "shareholders") may bring attendance certificate, attendance check in card or other attending certificates for attending the shareholders' meeting. The solicitor with proxy solicitation shall show identification certification for examination.

The Company shall set up an autograph book for attending shareholders to check in or attending shareholders shall hand in attendance card as checking in.

The Company shall hand over the agenda handbook, annual business report, attendance certificate, speech note, vote and other meeting materials to attending shareholders. For the meeting to hold the election of directors and independent directors, it shall attach with electoral vote. °

When a shareholder is the government or legal person, its proxy to attend the shareholders' meeting is not limited one person. If the legal person attends the shareholders' meeting acting on behalf of another shareholder, it shall designate one person to attend the meeting.

Article 6 : In the case that Board of Directors convene the shareholders' meeting, the chairman shall take charge of the chairperson, if the chairman is on leave or unable to execute his/her duty due to some reasons, the vice chairman shall act on behalf of the chairman. In the event that it has no vice chairman or the vice chairman is also on leave or unable to execute the duty due to some reasons, the chairman shall appoint one of executive director as a proxy, if it does not set up the post of executive director, the chairman may appoint one director as a proxy. On the occasion that the chairman does not appoint any proxy, it shall be elected one between executive directors or directors.

The chairperson is surrogated by the executive director or director as the preceding Paragraph, it shall adopt an executive director or director serving over 6 months and understanding the financial status of the Company. For the chairperson is the proxy for an institutional director, it shall handle the same as the foresaid.

For the shareholders' meeting convened by Board of Directors convene, it shall have over a half of attendance of directors.

In the case that other conveners other than members of Board of Directors call the shareholders' meeting, the convener shall take charge of the chairperson. If conveners are above two persons, it may elect one person as the chairperson among/between them.

The Company may delegate attorneys, CPA or other relevant personnel attend the shareholders' meeting without executing voting rights.

Article 7 : The Company shall perform recording and video-recording continuously for the whole process of the meeting from reception for checking in, process of the meeting in progress, process of voting and counting votes.

The audio data in the preceding Paragraph shall be preserved for one year. Unless shareholders bring an action pursuant to Article 189, it shall be preserved till the end of the suit.

Article 8 : The attendance of shareholders' meeting shall be counted based on shares, and the attending number of shares may be counted according to the autograph book and attendance card combined with the execution of voting right via written or electronic from.

The chairperson shall call the meeting to order at the meeting time as schedule, while the attendance does not exceed a half of shareholders with total number of outstanding shares, the chairperson may declare to postpone the time of meeting, subject to 2 times of postponing. The total postponing time shall not surpass 1 hour. In case that the attendance does not exceed one third of shareholders with total number of outstanding shares after postponing two times, the chairperson shall declare to adjourn the meeting.

Once the attendance is still not over one third of shareholders with total number of outstanding shares after two time of postponing in the preceding Paragraph, it may deem as a tentative resolution according to Paragraph 1, Article 175, The Company Act and notify each shareholder with the tentative resolution and convene the shareholders' meeting within one month.

Before the end of the meeting, in the case that attending shareholders with number of shares over a half of the total number of outstanding shares, the chairperson shall submit for voting again in the shareholders' meeting for tentative resolutions according to Article 74, The Company Act.

Article 9 : In the case that Board of Directors convene the shareholders' meeting, the agenda shall be stipulated by Board of Directors and the meeting shall be conducted according to the arranged agenda and not be changed without resolution of the shareholders' meeting.

The shareholders' meeting is convened by other conveners other than Board of Directors, it shall apply the regulation of the preceding Paragraph.

The chairperson shall not declare adjournment without resolution before the end of the preceding two arranged agenda (extempore motion included). Once the chairperson violates the rule of agenda and declares the adjournment, other members of Board of Directors shall rapidly assist attending shareholders to elect one of them to take charge of the chairperson position according to the legal procedures by over a half of attending shareholders with voting rights and then continue the meeting.

The chairperson shall provide sufficient chances of explanation and discussion toward proposals, and the revisions and extempore motions proposed by shareholders, it may declare to stop the discussion and propose to vote on the occasion that the chairperson regards it is suitable timing for voting.

Article 10 : Before making a statement by an attending shareholder, the shareholder shall fill in the gist of statement, account number of shareholder (or attendance number) or account name on a speech note, and the statement order may be determined by the chairperson.

In case that attending shareholders do not make statements but submitting their speech notes, it is deemed to be nonexistence of the statement. Once the content of statement does not meet with the recording on the speech notes, the content of the statement shall govern

Every shareholder makes statements for the same proposal shall not over two times, unless otherwise acquiring the agreement of the chairperson. Every statement shall not exceed 5 minutes each time, in case that shareholders making statements that violate the regulation or surpass the range of agenda, the chairperson may stop the statement.

When attending shareholders making their statements, other shareholders shall not disturb the statement unless otherwise obtaining an agreement of the chairperson.

On the occasion that someone disturbs others' statements, the chairperson shall stop It.

When institutional shareholders designate above two representatives to attend the shareholders' meeting, only person makes statement for the same proposal.

After the attending shareholders make statements, the chairperson may reply personally or appointed relevant personnel to reply.

Article 11 : The voting for shareholders' meeting shall be calculated by shares.

For the resolution in the shareholders' meeting, the share number of shareholders without voting rights shall not be counted in the total number of outstanding shares. When the resolution items in the meeting may be harmful for the interest of the Company as some shareholders are interested parties, these shareholders shall not participate in voting and surrogate executing of other shareholders' voting rights.

The number of share shall not be executed voting rights in preceding Paragraph is not counted in the total votes of attending shareholders.

Except for the trust business or the agent for stock affairs approved by competent agent for securities, on the occasion that one person is surrogated by two shareholders, the proxy voting rights shall not exceed 3% of voting rights for total number of outstanding shares, it shall not count for the exceeding voting rights.

Article 12 : Each share has one voting right but not subject to the restriction or shareholders without holding voting right regulated in Paragraph 2, Article 179, The Company Upon convening shareholders' meeting, the Company may adopt written or electronic form to execute their voting rights, the execution method shall be specified on the notice of shareholders' meeting. Shareholders who execute their voting rights via written or electronic form are regarded to be attending the shareholders' meeting in person, while the extempore motions or revision of existing proposal in the shareholders' meeting of this time are deemed to be abstained from the voting right. Thus, the Company shall evade proposing extempore motions or revision of existing proposal.

When stockholders execute their voting right by written or electronic form in the preceding paragraph, the expression of intention shall be delivered to the Company two days prior to the date of shareholders' meeting . In the event of duplicate expressions of intention , the first delivered one shall be adopted, not

subject to the statement of revocation submitting for the previous expression of intention.

After shareholders executing voting rights by written or electronic form, if shareholders intend to attend in the shareholders' meeting in person, the expression of intention on execution of voting right shall be revoked as same as execution of voting right two days prior to the date of shareholders' meeting. Once the revocation is overdue, it still executes the voting right by written or electronic form. In the case that shareholders execute voting rights by written or electronic form and surrogate proxies to attend shareholders' meeting with powers of attorney, the voting rights executed by the proxies are taking effect.

Except for other regulations in The Company Act and Article of Association for the Company, voting for proposals shall be passed the agreement by over a half of attending shareholders with voting rights. Upon voting, it may regard as passed with no objection submitted after seeking the opinion by the chairperson, the effect is the same as voting rights. Otherwise, after the chairperson or the appointed person announce the total voting rights of attending shareholders for each proposal, and then shareholders conduct voting for each proposal. Further, the Company shall disclose the situation of agreement, objection or abstention on Market Observatory Post System on the current day of shareholders' meeting held.

On the occasion that it has revision or alternative proposal, the chairperson shall determine the voting sequence together with the original proposal. Once one of proposals has been approved, the other relevant proposals are regarded as veto, unnecessary to be voted again.

Scrutineer and votecounter for voting proposals are appointed by the chairperson, subject to the scrutineers with identifications of shareholders

The vote counting work for voting and electoral proposals in shareholders' Shall be conducted in a public place and the voting result shall be declared on the Spot including statistic weight and preparing records.

Article 13 : When shareholders' meeting holds elections of directors and independent directors, it shall be in accordance with the election rule of the Company. The result of election shall be declared on the spot, including the name list and electoral vote count for elected directors and independent directors. The foresaid electoral votes for the election event shall be reserved and sealed properly with the signature of ballot examiner for at least one year of preservation. In case that a shareholder prosecutes an action according to Article 189, The Company Act, it shall be preserved till the end of the suit.

Article 14 : The resolution items in shareholders' meeting shall be produced to be the proceeding, with signature or seal of the chairperson and distribute to each shareholder within 20 days after the meeting. The preparation and distribution of the proceeding may be made in electronic form.

The distribution of the aforementioned proceeding may be announced through Market Observatory Post System.

The holding date/month/year, location, the name of the chairperson, resolution method, overview of agenda process and the result shall be record on the proceeding and reserved permanently during the period of existence of the Company.

Article 15 : For the number of shares solicited by solicitors and the number of shares surrogated by proxies, the Company shall prepare statistic tables by regulated format and disclose concisely the tables at the venue on the opening date of shareholders' meeting.

In the case that the resolution items in shareholders' meeting are in line with the regulation of relevant ordinances and the significant message regulated by Taiwan Stock Exchange Corporation or Taipei Exchange, the Company shall upload the content on Market Observatory Post System

Article 16 : Staff for serving shareholders' meeting shall wear identification card or arm-badge.

The chairperson shall direct picketers or security guards for assisting to maintain the order of venue. Picketers and security guards shall wear the arm-badge or identification card printed with the word of "Picketer".

On the occasion that audio amplifiers are equipped on venue, when a shareholder make a statement through the equipment that is not allocated by the Company, the chairperson shall stop it.

When shareholders violate the rule of agenda without obeying the correction of the chairperson, where impeding the process of the meeting and ignoring the stopping instruction, the chairperson may direct the picketer or security guard to communicate with the shareholder to leave the venue.

Article 17 : Chairperson may announce to take a break under processing of the meeting. In the event of any force majeure incurring, chairperson may rule to suspend the meeting and announce the time to continue the meeting depends on situations.

When the location of the meeting cannot be used before the end of the proceeding (including the stage of questions and motions) on the agenda arranged in the shareholders' meeting.

Shareholders may resolve to postpone or continue the meeting within coming 5 days.

Article 18 : The Rule is implemented upon the resolution of shareholders' meeting and handling method is the same as in the case of revision on articles

## **Appendix2 : Article of Association(before amendment)**

### **Article of Association of DYNAMIC MEDICAL TECHNOLOGIES INC.**

Revised by Annual shareholders' meeting on June 7, 2016

#### **Chapter 1 General Principles**

Article 1: The Company is named as DYNAMIC MEDICAL TECHNOLOGIES INC, which is organized in accordance with the regulation of company limited by share in The Company Act

Article 2 : Business items of the Company are shown as follows.

1. F113030 Wholesale of Precision Instruments
2. F108040 Wholesale of Cosmetics
3. F208040 Retail Sale of Cosmetics
4. F108031 Wholesale of Drugs, Medical Goods
5. F208031 Retail sale of Medical Equipment
6. F113990 Wholesale of Other Machinery and Equipment
7. F213990 :Retail Sale of Other Machinery and Equipment
8. JE01010 Rental and Leasing Business
9. I102010 Investment Consultancy.
10. I103060 Management Consulting Services
11. I199990 Other Consultancy
12. F102170 Wholesale of Food and Grocery
13. F203010 Retail sale of Food and Grocery.
14. F110020 Wholesale of Spectacles
15. F210020 Retail Sale of Spectacles
16. F113020 Wholesale of Household Appliance.
17. F213010 Retail Sale of Household Appliance
18. F213040 Retail Sale of Precision Instruments
19. F113060 Wholesale of Metrological Instruments
20. F213050 Retail Sale of Metrological Instruments
21. F401010 International Trade
22. E601020 Electric Appliance Installation
23. E604010 Machinery Installation Construction
24. EZ05010 Apparatus Installation Construction.
25. JA02990 Other Repair Shops
26. F108021 Wholesale of Drugs and Medicines
27. F208021 Retail Sale of Drugs and Medicines
28. F108051 Wholesale of Cosmetics Ingredients
29. F113010 Wholesale of Machinery.
30. F113050 Wholesale of Computing and Business Machinery Equipment
31. I301010 Software Design Services



32.I301020 Data Processing Services.  
33.I301030 Digital Information Supply Services.  
34.I401010 General Advertising Services  
35.I501010 Product Designing  
36.I503010 Landscape and Interior Designing  
37.IZ13010 Internet Identify Services  
38.JD01010 Industry and Commerce Credit Bureau Services,  
39.ZZ99999 All business items that are not prohibited or restricted by  
law, except those that are subject to special approval.

Article 3 : The Company shall make an external guarantee due to need of business

Article 4 : When the Company is the shareholders with limited liability for other companies, the total investment amount shall not subject to the restriction of 40% of paid-in capital according to Paragraph 1, Article 13, The Company Act.

Article 5 : The headquarters of the Company is situated in New Taipei City and it may set up subsidiary companies, retail sales, business office or other modes of branch at home and abroad through the resolution of Directors' meeting if necessary

## Article 2 Share

Article 6 : The total capital of the Company is 500 million NTD, divided into 50 million shares with per vale of 10 NTD, it authorizes Board of Directors to issue the share separately depends on the necessity of business.

Article 7 : Unless otherwise specified that unable to print out in physical form, it shall conduct with registered form and issue after three directors' signatures or seals The Company shall combine together to print out shares for the total issuance number for the time upon issuing new stock or may be exempted from printing out of shares, but it shall be preserved or registered through the centralized securities depository enterprise

Article 8 : In case of change of record on Shareholders List, subject to be unable to conduct within 60days prior to the date of annual shareholders' meeting, 30 days prior to the special shareholders' meeting or 5 days before the base date of determining distribution of stock dividend, bonus and other interests. Any other stock affairs, it shall handle according to " Criteria Governing Handling of Stock Affairs by Public Stock Companies"

Article 8-1 : The issuer of the Company for subscription price is not subject to the regulation of employee stock option, Article 53 of" Criteria Governing the Offering and Issuance of Securities by Issuers", but it shall be approved with the attendance of over a half of shareholders with total number of outstanding shares and

agreement of two-thirds of attending shareholders with voting rights. It shall be reported and handled separately within one year after the resolution in the shareholders' meeting.

Article 8-2 : The Company may transfer to employees at the price lower than the average price of buyback in actual case or the subscription price lower than market value(Net Asset Value of Each Share) for employee stock option corticated, subject to over a half of attendance of shareholders with total number of outstanding shares, and agreement of over two-thirds of attending shareholders with voting rights.

### Chapter 3        Stockholders' Meeting

Article 9 : Shareholders' meetings comprises of annual shareholders' meeting and special shareholders' meeting. Annual shareholders' meeting shall be convened according to the law by Board of Directors within 6 months after end of every fiscal year. The special shareholders' meeting shall be convened if necessary. The notice of convening shareholders' meeting shall be made by electronic form upon the agreement of respondent of the notice of the meeting.

Article 9-1 : Annual shareholders' meeting shall be convened 30 days prior to date of the meeting and 15 days prior to date of special shareholders' meeting. The date, location and cause of convening shall be informed to every shareholders and make announcement. After the respondents' agreement, the notice of convening shareholders shall be made by electronic form.

For shareholders holding under 1000 registered shares for the notice of convening in the preceding paragraph, it may be made by announcement

Article 9-2 :Shareholders holding over 1% of total number of outstanding shares may propose proposal for annual shareholders' meeting and the procedure shall be handled according to the regulation of Article 172-1, The Company Act.

The convening of regular shareholders' meeting shall be conducted according to the regulations of The Company Act

Article 10 : On the occasion that shareholders is unable to attend shareholders' meeting, a shareholder may delegate a deputy for attendance according to the regulations of Article 177, The Company Act, and "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, Paragraph 1, Article 25-1 Securities and Exchange Act

Article 11 : Unless otherwise other restrictions or non- voting right specified in Paragraph 2, Article 179, The Company Act, every share holds one voting right for shareholders of the Company.

Article 11-1 : When the Company plans to revote public offering, it shall be conducted after submitting in shareholders' meeting for resolution and no change is permissible during the public, listing or emerging period.

Article 12 : Unless otherwise specified in The Company Act, for the resolution of shareholders' meeting, it shall be made by the attendance with over a half of the shareholders' attendance and the agreement of over a half of attending shareholders

Article 13 : The resolution events of shareholders' meeting shall be recorded on the proceeding and then signed or sealed by the chairperson and dispatched the proceeding to each shareholder within 20 days after the meeting. The manufacturing and distribution of the proceeding shall be made in electronic form or the dispatch of the previous meeting, it shall be performed through announcement, sign-in book for attending Shareholders and shall according to Article 183, The Company Act. The proceeding, and sign-in book and power of attorneys of acting on behalf of other director's attendance shall be kept in the Company. For shareholders holding under 1000 registered shares, it may be informed by announcement.

Article 14 : The Company shall set up Directors for 7-9 persons with tenure of three years and the shareholders' meeting shall elect a person with behavioral competence and reappointment may occur upon reelected. the number of directors shall reach an agreement in directors' meeting.

Article 14-1 : According to Article 14-2 and Article 183, Securities and Exchange Act, the Company shall set up independent directors no lower than 2 persons and no lower than one-fifth of total number of directors. It adopts the system to be nominated by candidate and then to be elected from shareholders holding over

1% of total number of outstanding shares. The Board of Directors shall propose the list of independent directors meeting with the qualification of independent directors and propose in shareholders' meeting. Shareholders shall elect from the list of candidates of independent directors. It shall be handled according to the regulations for professional proficiency, number of shareholding, limit of concurrent post, nomination method, election method and other events in The Company Act and Securities and Exchange Act.

Article 14-2: The Company shall set up Audit Committee according to the regulation of Article 14-4, Securities and Exchange Act. The Audit Committee shall take charge of implement the duties regulated about supervisor in the regulations of The Company Act, Securities and Exchange Act and other laws  
The Audit Committee shall comprise of the whole member of independent director, no less than three persons, and one of them is the convener and one of them shall be equipped with professional proficiency of accounting or finance. The resolution of Audit Committee shall reach an agreement that exceeds a half of whole members.

Article 15 : Upon Directors organize Board of Directors, it shall elect one of them within Board of Directors as the Chairman of the Board Vice Chairman for one person each with over two-thirds of attendance in director's meeting and over a half of attending directors' agreement The Chairman of the Board holds shareholders' meeting internally and acts on behalf of the Company externally.

Article 15-1 :Directors' meeting shall be convened by informing every director and independent director seven days prior to the meeting date. In the event of emergency, it may convene at any time.

The convening of the preceding paragraph may be made at any time by written mail, facsimiles, and E-mail etc.

Article 16 : Unless otherwise specified in other regulations in The Company Act or Article of Association, it shall be made a resolution by directors' meeting with over a half of directors' attendances and over a half of the agreement of attending Directors.

The proceedings of Directors' meeting shall be recorded on the proceeding of directors' meeting and then issued to every director within 20 days after the meeting. The manufacturing and distribution of the proceeding of directors' meeting shall be made in written, e-mail or facsimile form.

Article 17 : In the event of asking for leave or unable to execute his/her authority, the Chairman of the Board shall designate a Director to be deputed. Directors may elect one of them in case of no designation hereof.

When holding video conference, the director may be regarded as attending in person for the case that director attending the video conference. The directors may issue a power of attorney on the occasion that it is unable to attend the directors' meeting to delegate other Director for acting on behalf of the director to attend the meeting. However, the deputy is subjected to be delegated by one person.

Article 18 : Remuneration Committee shall audit salary, remuneration and transportation allowance and remuneration and authorize Board of Directors to determine them according to the participation in operating degree and value of contribution of the director based on reference of the industrial compensation level.

Article 19 : The Company shall set up managers, the appointment, dismissal, and remuneration will be reached an resolution over a half of whole directors' attendance and agreement of over a half of attending directors.

## Chapter 5      Accounting

Article 20 : The fiscal year of The Company begins on January 1 and ends on December 31 every year.

Article 21 : Board of Directors shall prepare the following financial reports : 1. Annual Business Report 2. Financial Report 3. Proposal for Appointment of Profit or Loss. The Company shall hand over these reports to Audit Committee for auditing , and passed by directors' meeting, and propose in the annual

shareholders' meeting for admission.

Article 22: The Company shall make appropriations for employee bonus and remuneration to director and supervisor according to the proportion as below on the occasion of making profit in a year(what is called "profit" refers to the pre-tax income before deducting it from . ) It shall make appropriations not lower than 1% for employee bonus and not higher than 5% for remuneration for director. However, it shall preserve amount for cover the deficit (including adjustment of undistributed earnings) and then make appropriations to employee bonuses and remunerations to Directors

The employee bonus in the preceding Paragraph can be paid by stock or cash. the distributed targets shall include the employee of its affiliate meeting with the conditions stipulated by Board of Directors, while the remuneration to director in the preceding paragraph shall be only paid by cash.

The two events in preceding paragraph shall be approved as the resolution in directors' meeting and report in the shareholders' meeting.

Article 22-1 : The Company shall pay taxes and cover accumulated deficits and then make an appropriation about 10% for legal reserve in the case of making profit earnings at the close of business year after settlement, while the legal reserve reaches the paid-in capital of the Company, it may not make an appropriation anymore, and it may make a provision or reverse to special reserve for the surplus. In the event of an undistributed earnings of current year, it shall combine with accumulated undistributed earnings to apply for formulating earning distribution proposal to Board of Directors and propose it in the shareholders' meeting for distribution of dividends to shareholders.

The dividend policy of The Company shall conform to the development plans currently and in the future, and consider the investment environment, capital demand and domestic and international competitive conditions in addition to considering of stockholders' interest. The Company shall pay taxes and cover accumulated deficits(including adjustment of undistributed earnings) and then make an appropriation of 10% for legal reserve and not lower 20% of the undistributed earnings of current year for distributing dividends to shareholders.

It may adopt cash or stock for distribution of dividends to shareholders, and the cash dividend is subjected to not lower than 20% of stock dividends. Unless otherwise it has significant capital expenditure plan in the future, the Company may distribute stock dividend after obtaining the agreement of shareholders' meeting.

## Chapter 6 Supplementary Articles

Article 23 : For the events not stipulated in The Article, it comply with the regulations of The Company Act.

Article 24 : The Article of Association has stipulated since September 18, 1993

1st Revision on February 3, 2004

2nd Revision on June 21, 2004

3rd Revision on July 16, 2004

4th Revision on November 9, 2004

5th Revision on May 10, 2005

6th Revision on June 5, 2006

7th Revision on June 11, 1998

8th Revision on June 10, 2009

9th Revision on November 2, 2009

10th Revision on December 9 , 2010

11th Revision on May 2, 2011

12th Revision on June 15, 2012

13rd Revision on June 18, 2014

14nd Revision on June 7, 2016

## Appendix 3 : Annual Business Report

### Annual Business Report

The Company aims to build a complete medical beauty industry chain to provide customers with medical cosmetology equipment, medical cosmetology supplies, injection-type fillers, beauty-care products and hair-health and slimming-therapeutic services. The related products have obtained distribution and agency rights in Taiwan, China and Hong Kong.

The products and instruments under the Company's agency are all from safe and high-standard manufacturers with international competitiveness. Coupled with the Company's integrated marketing strategy, medical cosmetology channels and consultancy management, professional training and consulting as well as complete after-sales maintenance system, the Company provides medical cosmetology clients with a full range of services to create "beauty" innovation and business opportunities together.

“Ulthera Ultrasonic Pulling” and “Picoway Picosecond Laser” are the representative products of the instruments and equipments under the Company's agency and distribution. The former continues to be popular in the market and is the exclusive product in Taiwan’s medical cosmetology market. The latter represents the most innovative medical cosmetology technology of picosecond laser at the moment in the medical cosmetology and market; because of its excellent therapeutic effect which has created a good reputation in the market, its sales in 2017 continued to be high and its market share is still increasing.

Among the consumable products under the Company's agency and distribution, in addition to the probe of “Ulthera Ultrasonic Pulling” which has a stable sales performance, the “Hyadermis” hyaluronic-acid subcutaneous filler, which has been under the Company's agency for many years, has become the third-largest brand in Taiwan in terms of market share under the Company's years of efforts, and is also Taiwan's first brand among similar products independently developed by local companies. In addition, the “DR CYJ” hair-care product of Dynamic Medical Technologies Inc., the Company's reinvested company, is deeply favored by female consumers, and its 2017 sales performance has shown a significant growth.

On the overseas business of the Company, the Company provides medical cosmetology-related equipment and consumables and maintenance services in China and Hong Kong through its reinvested company Dynamic Medical Technologies (Hong Kong) Limited and its subsidiaries. Among the products, “Viveve Micella System” for improving the aging issue of women’s private part immediately attracted market attention after its launch due to its advantages of treatment safety and immediate effectiveness.

Looking forward to 2018, in addition to continuing developing new competitive product lines, the Company will actively expand its business scope and deepen its efforts in the Asian medical cosmetology industry through its overseas reinvested companies.



The following is a report on the Company's 2017 operating results and 2018 business plan:

# 1. 2017 Operating Results

## (1) Achievements of business plan implementation:

### A. Dynamic Medical's Consolidated statements of comprehensive income

- (a) Operating income decreased compared with the previous year, mainly due to the fact that some of the overseas companies' products have gradually matured, and their sales prices and sales volumes have declined.
- (b) Although affected by the decrease in operating income, operating profit was the same as the previous year due to proper management of operating expenses.
- (c) Non-operating income and expenses decreased compared with the previous year, mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.
- (d) Other comprehensive profit and loss decreased compared with the previous year, mainly due to the exchange rate factor which led to the decrease in the exchange difference in the conversion of financial statements of foreign operating agencies.

Unit : NT\$ Thousand

| Item   | 2017      | 2016      | Increase / Decrease Ratio |
|--|-----------|-----------|---------------------------|
| Operating Revenue                              | 1,156,622 | 1,214,814 | (5%)                      |
| Gross Profit                                   | 370,803   | 405,842   | (9%)                      |
| Operating Expense                              | 176,710   | 211,160   | (16%)                     |
| Profit from Operations                         | 194,093   | 194,682   | 0%                        |
| Non-Operating Income and Expenses              | (18,487)  | (11,747)  | (57%)                     |
| Pre-tax Income                                 | 175,606   | 182,935   | (4%)                      |
| Income Tax                                     | 32,288    | 34,371    | (6%)                      |
| Net Income Expense                             | 143,318   | 148,564   | (4%)                      |
| Other comprehensive income (loss) for the year | (35,048)  | (33,839)  | (4%)                      |
| Total Comprehensive Income for the year        | 108,270   | 114,725   | (6%)                      |
| Basic EPS                                      | 3.77      | 3.95      | (5%)                      |

### B. Dynamic Medical's statements of comprehensive income

- (a) Operating income did not grow compared with the previous year, mainly due to the impact of the economic climate which caused a decrease in customer's willingness to purchase.
- (b) Although affected by the decline in operating income, operating profit was slightly higher than the previous year due to the appropriate management of operating expenses.
- (c) Non-operating income and expenses decreased compared with the previous year,

mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.

- (d) Other comprehensive profit and loss decreased compared with the previous year, mainly due to the exchange rate factor which led to the decrease in the exchange difference in the conversion of financial statements of foreign operating agencies.

Unit : NT\$ Thousand

| Item   | 2017     | 2016     | Increase / Decrease Ratio |
|--|----------|----------|---------------------------|
| Operating Revenue                              | 942,905  | 956,064  | (1%)                      |
| Gross Profit                                   | 256,541  | 285,938  | (10%)                     |
| Operating Expense                              | 118,802  | 152,527  | (22%)                     |
| Profit from Operations                         | 137,739  | 133,411  | 3%                        |
| Non-Operating Income and Expenses              | (4,603)  | 4,643    | (199%)                    |
| Pre-tax Income                                 | 133,136  | 138,054  | (4%)                      |
| Income Tax                                     | 20,058   | 19,600   | 2%                        |
| Net Income Expense                             | 113,078  | 118,454  | (5%)                      |
| Other comprehensive income (loss) for the year | (35,048) | (33,839) | (4%)                      |
| Total Comprehensive Income for the year        | 78,030   | 84,615   | (8%)                      |
| Basic EPS                                      | 3.77     | 3.95     | (5%)                      |

C. Implementation Status of Budget : Not applicable as the Company did not prepare financial forecasting.

## (2) Financial Receipts and Expenditures

### A. Dynamic Medical's Consolidated Statements of Cash Flow:

Unit : NT\$ Thousand

| Item   | 2017      | Explanation   |
|--|-----------|---|
| Cash at the Beginning of the year            | 918,807   | The balance of closing account in 2016                              |
| Net cash generated from operating activities | 143,683   | Primarily comes from the increase of operating income.              |
| Net cash used in investing activities        | (7,102)   | Primarily comes from the increase of Property, plant and equipment. |
| Net cash used in financing activities        | (116,848) | Mainly comes from the distribution of cash dividend                 |
| Change of Exchange Rate                      | (13,076)  | The impact of change in exchange rate to cash and cash equivalents  |
| Cash at the End of the year                  | 925,464   | The balance of closing account in 2017.                             |

B. Dynamic Medical's Statements of Cash Flow :

Unit : NT\$ Thousand

| Item   | 2017      | Explanation  |
|--|-----------|--|
| Cash at the Beginning of the year            | 663,717   | The balance of closing account in 2016                             |
| Net cash used in operating activities        | (106,583) | Primarily comes from the increase of Inventories.                  |
| Net cash generated from investing activities | 2,684     | Primarily comes from the reduction of Refundable deposits.         |
| Net cash used in financing activities        | (116,800) | The impact of change in exchange rate to cash and cash equivalents |
| Cash at the End of the year                  | 443,018   | The balance of closing account in 2017.                            |

(3)Comparison of Profitability Analysis :

A. Dynamic Medical 's Consolidated Profitability Analysis

| Item                                     | 2017  | 2016  | Explanation   |
|--|-------|-------|---|
| Return on Asset ( % )                    | 6.44  | 6.89  | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.   |
| Return on Equity ( % )                   | 10.14 | 10.46 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.   |
| Profit Before Tax to Capital Stock ( % ) | 58.54 | 60.98 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.   |
| Net Profit Margin ( % )                  | 12.39 | 12.23 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation, but this year's operating income also decreased slightly. |
| Basic EPS (dollar)                       | 3.77  | 3.95  | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.   |

B. Dynamic Medical's Individual Profitability Analysis

| Item                        | 2017 | 2016 | Explanation   |
|-----------------------------|------|------|---|
| Return on Total Asset ( % ) | 5.79 | 6.16 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation. |
| Return on Equity ( % )      | 9.01 | 9.22 | After-tax net profit decreased  |

|  |       |       |   |
|--|-------|-------|---|
|  |       |       | mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation.                                |
| Profit Before Tax to Capital Stock (%) | 44.38 | 46.02 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation. |
| Net Profit Margin (%)                  | 11.99 | 12.39 | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation. |
| Basic EPS (dollar)                     | 3.77  | 3.95  | After-tax net profit decreased mainly due to the exchange rate factor which led to the loss of the US dollar assets evaluation. |

(4)Research Status: The Company is not manufacturing industry without setting up dedicated R & D department, but as an agent and distributor to expand our business scope by every business department.

## 2.Business plan in 2018

### (1)Overall operating principles:

- A.Improvement of profit level: With abundant product portfolio, we successively introduce new products with topicality, expand the medical beauty related business areas, and enhance the overall profit level.
- B.Improvement of service standards: Strengthens on-the-job training for business, maintenance technology and marketing personnel and improves customer satisfaction.
- C.Sound management system: Carries out the spirit of corporate governance and its requirements and strengthens the audit mechanism for ensuring that the implementation of internal control system of the Company and reinvested companies in order to improve the operating management of the Company.
- D. Continue layout of China: Via thorough development of Mainland China market, in addition to trade agents, we also actively seek cooperative partners of medical cosmetic channel for expanding the business territory.
- E. Expansion of Channel Business: With the integration of medical and related fields upstream and downstream resources through the reinvested companies to facilitate the extension of channel and expanding source of profit.

### (2)Expected sales growth of main products and their basis:

In 2018, the focus of product sales of the Company and its reinvested companies will be finding new syndromes which “Ulthera Ultrasonic Pulling” is applicable to, so as to promote the sale of its consumable - the therapeutic probe. The Company will introduce the latest three-wavelength models of "Picoway Picosecond Laser" to make the treatment more comprehensive and effective, and at the same

time promote the replacement of skin-cleaning machines in the medical cosmetology market. In addition to actively developing the skin puller market, the Company will continue developing snore-stopping and eye bag-removing treatments for "Fotona 4D" to expand sales. As women's self-awareness and consciousness of private-part health have progressed, more and more women are paying attention to their private-part health and private-part aging prevention. The "Viveve Electric Wave System" was launched in Taiwan in late 2017, and will, together with "Fotona G Tightening Laser", provide a more complete private-part health treatment program. With its successful experience in the cross-strait market and flexible marketing activities, the product will drive the overall market sales in 2018. In addition, eight formulations of "Hyadermis" hyaluronic-acid subcutaneous filler have been put in place. The product's features of high plasticity and support have been recognized by the market, and its sales momentum will continue from 2017 into 2018.

Dynamic Medical Technologies, the joint venture of the Company and Korea's listed biotechnology giant Caregen Co., Ltd. (KOSDAQ: 214370), sells the cross-generation product "DR CYJ Hair Growth Peptide" and scalp beauty-treatment services through e-commerce channels and eight physical channels. It has made a good achievement in the women's hair growth market in 2017, and the sales performance improved substantially. Following this success, in 2018 the Company will launch a brand new upgraded series of peptide hair-care products, and actively set its foothold in the men's hair-care market. In addition, in view of more and more professional scalp-care needs, the Company will keep expanding the number of physical channels, and introduce new and diverse scalp-care services in order to provide a more complete line of scalp treatment services.

The Neuronox botulinum toxin of MEDYTOX TAIWAN INC., the joint venture of the Company and Korea's listed biotechnology giant Medytox Inc. (KOSDAQ: 086900), has started its phase-III clinical trial in accordance with the schedule in 2017. After the clinical trial and product registration are completed, it is expected that the cost-effective advantage of its products will attract market attention and drive the growth of the company's business.

### (3) Important production and sales policies:

#### A. Being a product leader in the medical cosmetology market

As the market leader, the Company will continue developing and introducing products that meet the latest and safe medical cosmetology trends, and provide all-round medical cosmetology products for skincare and slimming to achieve the goal of leading the trend of the medical cosmetology markets in Taiwan and China.

#### B. Market Development in China and Hong Kong

The overall medical cosmetology equipment market in China and Hong Kong still has significant room for growth. Therefore, in addition to the continued promotion of existing products, the Company will actively introduce the latest medical cosmetology equipment in the hope of increasing the suppliers' and the

customers' trust in and reliance on the Company through its complete sales services and professional product training. At the end of 2017, the Company's overseas reinvested company acquired the agency right of "Algeness - a New Injection-Type Subcutaneous Filler". The base of this subcutaneous filler is Agarose gel which is pure, non-toxic and biodegradable, and the product is both unique and safe with market segmentation and forward-looking characteristics. It is expected that its product advantage will be able to attract market attention.

C. All-round one-stop beauty therapy service

The Company's reinvested companies are actively developing e-commerce channels, and sells scalp and skin care products through active and diverse marketing strategies that are close to consumers. In order to provide customers with diverse "beauty" services from head to toe, it will actively integrate the service resources of medical cosmetology doctors and "DR CYJ Hair Growth Peptide" to provide clients with a one-stop "beauty" experience.

Looking forward to the future, the Company will continue to advance in the fields of anti-aging and biotechnology, and deeply entrench the seeds of beauty and health in the Asian medical cosmetology market in order to achieve the goal of "shine in Asia and advance to the international stage".

Chairman      FU, HUI-TUNG

President      FU, JO-HSUAN

Chief Accounting      CHIANG, CHIH-HAO

## **Appendix 4 : Audit Report of Audit Committee**

### **DYNAMIC MEDICAL TECHNOLOGIES INC.**

#### **Audit Report of Audit Committee**

We have examined the 2017 financial reports together with business report and earnings distribution proposal prepared by Board of Directors and audited and certified by KPMG and issued with auditor's reports.

The above business report, financial report and earnings distribution proposal have been audited by Audit Committee, and we did not find any discrepancy. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereinafter submit it for your review.

To

2018 Annual Shareholders' Meeting  
DYNAMIC MEDICAL TECHNOLOGIES INC.

Convener of Audit Committee : CHEN, HSIEH-YU

March 7, 2018

## Appendix 5 : Comparison Table of Before and After Revision of Article for “Rule and Procedure for Board of Directors’ Meetings”

The 20<sup>th</sup> revision, 5th Board of Directors’ meeting on December 6, 2017

| After Amendment   | Before Amendment  | Reason for Amendment   |
|---|---|--|
| <p>Article 5</p> <p>In accordance with the provisions of Article 15-1 of the Articles of Association of the Company, when a board meeting is held in the form of a video conference, the Directors who participate in the video conference shall be regarded as personally attending the meeting.</p>   | <p>Article 5</p> <p>In accordance with the provisions of Article <u>17</u> of the Articles of Association of the Company, when a board meeting is held in the form of a video conference, the Directors who participate in the video conference shall be regarded as personally attending the meeting.</p>  | <p>The amendment is made in accordance with the change in the Company's Articles of Association</p>  |
| <p>Article 15</p> <p>The following matters shall be proposed to the Board of Directors of the Company for discussion:</p> <ol style="list-style-type: none"> <li>1. The business plan of the Company.</li> <li>2. The annual and semi-annual financial report, but the semi-annual financial report is not applicable if it is not required by law to be audited by accountant.</li> <li>3. The establishment of or <u>amendment to the internal control system or the assessment of the effectiveness of the internal control system</u> according to the provisions of Article 14-1 of the Securities Exchange Act.</li> <li>4. The establishment of or amendment to the operating procedures according to the provisions of Article 36-1 of the Securities Exchange Act for significant financial businesses such as obtaining or disposing of assets, engaging in derivative transactions, extending loans to others, and providing endorsement or guarantee.</li> <li>5. Publicly raising, issuing or</li> </ol> | <p>Article 15</p> <p>The following matters shall be proposed to the Board of Directors of the Company for discussion:</p> <ol style="list-style-type: none"> <li>1. The business plan of the Company.</li> <li>2. The annual and semi-annual financial report, but the semi-annual financial report is not applicable if it is not required by law to be audited by accountant.</li> <li>3. The establishment or <u>revision of the internal control system</u> according to the provisions of Article 14-1 of the Securities Exchange Act.</li> <li>4. The establishment of or amendment to the operating procedures according to the provisions of Article 36-1 of the Securities Exchange Act for significant financial businesses such as obtaining or disposing of assets, engaging in derivative transactions, extending loans to others, and providing endorsement or guarantee.</li> <li>5. Publicly raising, issuing or</li> </ol> | <p>The amendments are made pursuant to some of the articles of the "Rules of Procedure for the Shareholders Meeting of Public Companies" issued in the decree referenced Jin-Guan-Cheng-Fa No. 1060027112 dated July 28, 2017.</p> |



| After Amendment  | Before Amendment   | Reason for Amendment |
|--|--|----------------------|
| <p>privately raising equity-natured securities.</p> <p>6. Appointment or removal of the financial, accounting or internal audit supervisor.</p> <p>7. Any donation to any stakeholder or any significant donation to any non-stakeholders. However, public welfare donations for emergency relief due to major natural disasters may be approved by the next board meeting.</p> <p>8. Other matters which shall be decided by the resolution of the shareholders' meeting or the board meeting according to the provisions of Article 14-3 of the Securities Exchange Act or other laws or regulations or the Company's Articles of Association, or important matters stipulated by the competent authorities.</p> <p>The stakeholder referred to in paragraph 7, refers to any person specified in the securities issuer's guidelines for preparation of the financial report; a significant donation to non-stakeholders refers to the amount of a donation or the cumulative amount of a donation within one year to the same object exceeds NT\$100 million, or one percent of the net revenue in the latest audited financial report, or five percent of the paid-in capital.</p> <p>The one-year period referred to in the preceding paragraph, refers to one year prior to the date of the current board meeting; issues already proposed to and approved in a board meeting shall be excluded.</p> <p><u>If the Company has independent directors in place, at least one independent director shall attend</u></p> | <p>privately raising equity-natured securities.</p> <p>6. Appointment or removal of the financial, accounting or internal audit supervisor.</p> <p>7. Donations to stakeholders or significant donations to non-stakeholders. However, public welfare donations for emergency relief due to major natural disasters may be approved by the next board meeting.</p> <p>8. Other matters which shall be decided by the resolution of the shareholders' meeting or the board meeting according to the provisions of Article 14-3 of the Securities Exchange Act or other laws or regulations or the Company's Articles of Association, or important matters stipulated by the competent authorities.</p> <p>The stakeholder referred to in paragraph 7, refers to any person specified in the securities issuer's guidelines for preparation of the financial report; a significant donation to non-stakeholders refers to the amount of a donation or the cumulative amount of a donation within one year to the same object exceeds NT\$100 million, or one percent of the net revenue in the latest audited financial report, or five percent of the paid-in capital.</p> <p>The one-year period referred to in the preceding paragraph refers to one year prior to the date of the current board meeting; issues already proposed to and approved in a board meeting shall be excluded</p> <p>For any matter which shall be decided by the resolution of the board meeting according to the provisions of Article 14-3 of the</p> |                      |

| After Amendment   | Before Amendment   | Reason for Amendment |
|---|--|----------------------|
| <p><u>the board meeting personally. For the first item of the matters to be proposed to the Board of Directors for resolutions, all the independent directors shall attend the board meeting. An independent director who cannot attend in person shall appoint another independent director to attend. Any objection or reservation of any director shall be recorded in the board meeting minutes. Any independent director who cannot personally attend the board meeting due to a valid reason to express his or her objections or reservations must give written opinions in advance, and such objections or reservations shall be recorded in the board meeting minutes.</u></p> <p>When discussing the recommendations of the Compensation Committee, the Board of Directors shall comprehensively consider the amount of compensation, the payment method and the Company's future risks. If the Board of Directors does not adopt or amends the recommendations of the Compensation Committee, the board meeting shall be attended by more than two-thirds of all Directors and the consent of more than half of the Directors present shall be obtained. In addition, in the resolution, a solid explanation based on the afore-mentioned comprehensive consideration shall be given about whether the compensation approved is better than the one recommended by the Compensation Committee. If the compensation approved by the Board of Directors is better than that of the Compensation Committee, the difference and the reasons for it shall be stated in the minutes of the board meeting, and</p> | <p><u>Securities Exchange Act</u>, an independent director shall attend the board meeting in person <u>or</u> appoint another independent director to attend. Any objection or reservation of any director shall be recorded in the board meeting minutes. Any independent director who cannot personally attend the board meeting due to a valid reason to express his or her objections or reservations must give written opinions in advance, and such objections or reservations shall be recorded in the board meeting minutes.</p> <p>When discussing the recommendations of the Compensation Committee, the Board of Directors shall comprehensively consider the amount of compensation, the payment method and the Company's future risks. If the Board of Directors does not adopt or amends the recommendations of the Compensation Committee, the board meeting shall be attended by more than two-thirds of all Directors and the consent of more than half of the Directors present shall be obtained. In addition, in the resolution, a solid explanation based on the afore-mentioned comprehensive consideration shall be given about whether the compensation approved is better than the one recommended by the Compensation Committee. If the compensation approved by the Board of Directors is better than that of the Compensation Committee, the difference and the reasons for it shall be stated in the minutes of the board meeting, and shall be announced on the information reporting website designated by the competent authority within two days from the</p> |                      |

| After Amendment  | Before Amendment                          | Reason for Amendment |
|--|---|----------------------|
| shall be announced on the information reporting website designated by the competent authority within two days from the date of the Board of Directors' approval. | date of the Board of Directors' approval. |                      |

## **Appendix 6 :2017 Independent Auditor’s Report on Financial Statements and Business Reports**

### **Independent Auditors’ Report**

To the Board of Directors of Dynamic Medical Technologies Inc.:

#### **Opinion**

We have audited the financial statements of Dynamic Medical Technologies Inc.(“ the Company” ), which comprise the balance sheets as of December 31, 2017 the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Key Audit Matters**

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

#### **1. Impairment Assessment on Receivables**

Please refer to Note (4)(f), Note (5) and Note (6)(c) for the "Impirment Assessment on Receivables" section of the financial statements .

Description of the key audit matter:

The allowance for doubtful debts in the financial statements is based on the ageing report and the recoverability of receivables. Because the assessment of impairment loss of receivables involves critical accounting estimates, which are subject to the judgment of the management, the assessment of impairment loss of receivables has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures, in response to the assessment of the impairment of receivables, were as follows: assessing the reasonableness of the methodology and assumptions used by the management for impairment assessment of receivables to determine whether the methodology was adopted consistently with the previous year; testing the reasonableness of the documentation adopted by the management for assessing the impairment of receivables; reviewing the accuracy of the calculation of the allowance for receivables; and evaluating the adequacy of the Company's disclosure for impairment of receivables.

#### **Other Matter**

The financial statements of the Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion those statements on March 9, 2017.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretation as well as related guidance endorsed 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Wan-Wan Lin and Liu- Fong Yang.

KPMG

Taipei, Taiwan (Republic of China) March 7, 2018

#### Notes to Readers

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

The auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and financial statements, the Chinese version shall prevail.

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
**DYNAMIC MEDICAL TECHNOLOGIES INC.**

**BALANCE SHWWTs**

**DECEMBER 31, 2017 AND 2016**

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| ASSETS              |  | 2017.12.31 |           | 2016.12.31 |           | LIABILITIES AND EQUITY   |                              | 2017.12.31   |           | 2016.12.31 |           |           |     |
|---------------------|--|------------|-----------|------------|-----------|--------------------------|------------------------------|--|-----------|------------|-----------|-----------|-----|
|                     |  | Amount     | %         | Amount     | %         |                          |                              | Amount   | %         | Amount     | %         |           |     |
| Current assets:     |  |            |           |            |           | Current liabilities:     |                              |  |           |            |           |           |     |
| 1100                | Cash and cash equivalents                                    | \$         | 443,018   | 22         | 663,717   | 33                       | 2170                         | Accounts payable                                       | 76,959    | 4          | 41,212    | 2         |     |
| 1147                | Current investments in debt instrument without active market |            | 200,900   | 10         | 200,900   | 10                       | 2200                         | Other payables   | 153,636   | 7          | 127,981   | 6         |     |
| 1151                | Notes receivable   |            | 89,335    | 4          | 116,047   | 6                        | 2230                         | Current tax liabilities                                | 11,782    | 1          | 12,864    | 1         |     |
| 1170                | Accounts receivable, net                                     |            | 213,671   | 11         | 99,871    | 4                        | 2250                         | Current provisions                                     | 9,299     | 1          | 8,745     | -         |     |
| 1210                | Other receivables, net                                       |            | 138       | -          | 321       | -                        | 2310                         | Advance receipts                                       | 224,618   | 11         | 257,757   | 13        |     |
| 1300                | Inventories  |            | 325,630   | 16         | 201,743   | 10                       | 2320                         | Long-term liabilities, current portion                 | 299,606   | 15         | -         | -         |     |
| 1470                | Other current assets   |            | 14,123    |            | 3,591     | -                        | 2399                         | Other current liabilities                              | 619       | -          | 842       | -         |     |
|                     |  |            | 1,286,815 | 64         | 1,286,190 | 63                       |                              |  | 776,519   | 39         | 449,401   | 22        |     |
| Non-current assets: |  |            |           |            |           | Non-Current liabilities: |                              |  |           |            |           |           |     |
| 1523                | Non-current available-for-sale financial assets              |            | 123,869   | 6          | 140,173   | 7                        | 2530                         | Bonds payable  | -         | -          | 294,518   | 15        |     |
| 1550                | Investments accounted for using equity method                |            | 500,557   | 25         | 507,600   | 25                       | 2550                         | Non-current provisions                                 | 3,264     | -          | 3,555     | -         |     |
| 1600                | Property, plant and equipment                                |            | 32,891    | 2          | 29,925    | 2                        | 2570                         | Deferred tax liabilities                               | 5,299     | -          | 8,505     | -         |     |
| 1840                | Deferred tax assets  |            | 46,860    | 2          | 42,035    | 2                        |                              |  | 8,563     | -          | 306,578   | 15        |     |
| 1921                | Guarantee deposits paid                                      |            | 5,042     | -          | 8,567     | 1                        |                              | Total liabilities                                      | 785,082   |            | 755,979   | 37        |     |
| 1930                | Long-term notes and accounts receivable                      |            | 25,292    | 1          | 9,795     | -                        |                              | Equity:  |           |            |           |           |     |
| 1975                | Net defined benefit asset                                    |            | 2,038     | -          | 1,862     | -                        |                              | Share capital:   |           |            |           |           |     |
| 1990                | Other non-current assets, others                             |            | 1,524     | -          | 657       | -                        | 3110                         | Ordinary share   | 300,000   | 15         | 300,000   | 15        |     |
|                     |  |            | 738,073   | 36         | 740,614   | 37                       | 3200                         | Capital surplus  | 625,942   | 31         | 625,942   | 31        |     |
|                     |  |            |           |            |           |                          |                              | Retained earnings:                                     |           |            |           |           |     |
|                     |  |            |           |            |           | 3310                     |                              | Legal reserve  | 123,563   | 6          | 111,718   | 6         |     |
|                     |  |            |           |            |           | 3350                     |                              | Unappropriated retained earnings (accumulated deficit) | 158,907   | 8          | 166,795   | 8         |     |
|                     |  |            |           |            |           | 3400                     |                              | Other equity interest                                  | 31,394    | 1          | 66,370    | 3         |     |
|                     |  |            |           |            |           |                          |                              | Total equity   | 1,239,806 | 61         | 1,270,825 | 63        |     |
| TOTALASSETS         |  | \$         | 2,024,888 | 100        | 2,026,804 | 100                      | TOTAL LIABILITIES AND EQUITY |  | \$        | 2,024,888  | 100       | 2,026,804 | 100 |



(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
**DYNAMIC MEDICAL TECHNOLOGIES INC. STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND**  
**2016 (AMOUNTS EXPRESSED IN THOUSANDS OF NEW**  
**TAIWAN DOLLARS)**

|      |  | <b>2017</b>   |          | <b>2016</b>   |          |
|------|--|---------------|----------|---------------|----------|
|      |  | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| 4000 | <b>Operating revenue</b>   | \$ 942,905    | 100      | 956,064       | 100      |
| 5000 | <b>Operating costs</b>   | 686,728       | 73       | 677,607       | 71       |
|      | <b>Gross profit from operations</b>  | 256,177       | 27       | 278,457       | 29       |
| 5910 | Less: Unrealized profit from sales   | 16,614        | 2        | 28,564        | 3        |
| 5920 | Add: Realized profit on from sales   | 16,978        | 2        | 36,045        | 4        |
|      |  | 256,541       | 27       | 285,938       | 30       |
|      | <b>Operating expenses:</b>   |               |          |               |          |
| 6100 | Selling expenses   | 87,071        | 9        | 96,604        | 10       |
| 6200 | Administrative expenses  | 31,731        | 4        | 55,923        | 6        |
|      |  | 118,802       | 13       | 152,527       | 16       |
|      | <b>Net operating income</b>  | 137,739       | 14       | 133,411       | 14       |
|      | <b>Non-operating income and expenses:</b>  |               |          |               |          |
| 7100 | Other income   | 5,822         | 1        | 4,677         | -        |
| 7020 | Other gains and losses, net  | (11,316)      | (1)      | (1,570)       | -        |
| 7050 | Finance costs  | (5,088)       | (1)      | (5,016)       | (1)      |
| 7370 | Share of profit of associates and joint ventures accounted for using equity method                             | 5,979         | 1        | 6,552         | 1        |
|      |  | (4,603)       | -        | 4,643         | -        |
| 7900 | <b>Profit before tax</b>   | 133,136       | 14       | 138,054       | 14       |
| 7951 | <b>Less: Tax expense</b>   | 20,058        | 2        | 19,600        | 2        |
|      | <b>Profit</b>  | 113,078       | 12       | 118,454       | 12       |
|      | <b>Other comprehensive income:</b>   |               |          |               |          |
| 8310 | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                |               |          |               |          |
| 8311 | (Losses) gains on remeasurements of defined benefit plans  | (86)          | -        | 50            | -        |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 14            | -        | (9)           | -        |
|      | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                | (72)          | -        | 41            | -        |
| 8360 | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                    |               |          |               |          |
| 8361 | Exchange differences on translation  | (21,137)      | (2)      | (9,821)       | (1)      |
| 8362 | Unrealized losses on valuation of available-for-sale financial assets  | (16,304)      | (2)      | (29,534)      | (3)      |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss     | 2,465         | -        | 5,475         | 1        |
|      | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                    | (34,976)      | (4)      | (33,880)      | (3)      |
|      | <b>Other comprehensive income, net</b>   | (35,048)      | (4)      | (33,839)      | (3)      |
| 8500 | <b>Total comprehensive income for the year</b>   | \$ 78,030     | 8        | 84,615        | 9        |
|      | <b>Earnings per share attributable to parent company</b>   |               |          |               |          |
| 9750 | <b>Basic earnings per share (NT dollars)</b>   | \$ 3.77       |          | 3.95          |          |
| 9850 | <b>Diluted earnings per share (NT dollars)</b>   | \$ 3.28       |          | 3.56          |          |

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
DYNAMIC MEDICAL TECHNOLOGIES INC. STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

|   | Share Capital     |                 | Retained Earnings |                                  | Other Equity Items  |  | Total Equity     |
|---|-------------------|-----------------|-------------------|----------------------------------|---|--|------------------|
|   | Ordinary Shares   | Capital Surplus | Legal Reserve     | Unappropriated Retained Earnings | Exchange Differences on Translation of Foreign Financial Statements | Unrealized Gains (Losses) on Available for sale Financial Assets |                  |
| <b>Balance as of January 1, 2016</b>  | \$ 300,000        | 625,942         | 99,634            | 171,514                          | 24,451  | 75,799   | 1,297,340        |
| Profit for the year   | -                 | -               | -                 | 118,454                          | -   | -  | 118,454          |
| Other comprehensive income for the year   | -                 | -               | -                 | 41                               | (8,152)   | (25,728)   | (33,839)         |
| Total comprehensive income  | -                 | -               | -                 | 118,495                          | (8,152)   | (25,728)   | 84,615           |
| Appropriation and distribution of retained earnings:                                      |                   |                 |                   |                                  |   |  |                  |
| Legal reserve appropriated  | -                 | -               | 12,084            | (12,084)                         | -   | -  | -                |
| Cash dividends of ordinary share  | -                 | -               | -                 | (108,900)                        | -   | -  | (108,900)        |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | -                 | -               | -                 | (2,230)                          | -   | -  | (2,230)          |
| <b>Balance as of December 31, 2016</b>  | 300,000           | 625,942         | 111,718           | 166,795                          | 16,299  | 50,071   | 1,270,825        |
| Profit for the year   | -                 | -               | -                 | 113,078                          | -   | -  | 113,078          |
| Other comprehensive income for the year   | -                 | -               | -                 | (72)                             | (17,544)  | (17,432)   | (35,048)         |
| Total comprehensive income  | -                 | -               | -                 | 113,006                          | (17,544)  | (17,432)   | 78,030           |
| Appropriation and distribution of retained earnings:                                      |                   |                 |                   |                                  |   |  |                  |
| Legal reserve appropriated  | -                 | -               | 11,845            | (11,845)                         | -   | -  | -                |
| Cash dividends of ordinary share  | -                 | -               | -                 | (106,800)                        | -   | -  | (106,800)        |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | -                 | -               | -                 | (2,249)                          | -   | -  | (2,249)          |
| <b>Balance as of December 31, 2017</b>  | <b>\$ 300,000</b> | <b>625,942</b>  | <b>123,563</b>    | <b>158,907</b>                   | <b>(1,245)</b>  | <b>32,639</b>  | <b>1,239,806</b> |

Note: The remuneration to directors are \$4,986 and \$5,170, and employees are \$5,980 and \$6,201 for the years ended December 31, 2017 and 2016, respectively. These items have been deducted from statements of comprehensive income.

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
DYNAMIC MEDICAL TECHNOLOGIES INC.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

|  | <u>2017</u>      | <u>2016</u>    |
|--|------------------|----------------|
| <b>Cash flows from operating activities :</b>                                      |                  |                |
| <b>Profit before tax</b>   | \$ 133,136       | 138,054        |
| <b>Adjustments:</b>  |                  |                |
| Adjustments to reconcile profit (loss):  |                  |                |
| Depreciation expense   | 17,982           | 13,799         |
| Amortization expense   | 1,260            | 1,057          |
| (Reversal of provision) provisions for bad debt expense                            | (8,981)          | 5,947          |
| Interest expense   | 5,088            | 5,016          |
| Interest income  | (3,944)          | (3,164)        |
| Dividend income  | (1,506)          | (1,142)        |
| Share of profit of associates and joint ventures accounted for using equity method | (5,979)          | (6,552)        |
| Loss on disposal of property, plant and equipment                                  | -                | (314)          |
| Reversal of impairment loss on non-financial assets                                | (1,120)          | (1,525)        |
| Unrealized profit from sales   | 16,614           | 28,564         |
| Realized loss from sales   | (16,978)         | (36,045)       |
| Total adjustments to reconcile profit  | <u>2,436</u>     | <u>5,641</u>   |
| <b>Changes in operating assets and liabilities:</b>                                |                  |                |
| Changes in operating assets:   |                  |                |
| Notes receivable   | 25,940           | (9,085)        |
| Accounts receivable  | (104,047)        | 28,444         |
| Other receivables  | 183              | (19)           |
| Inventories  | (143,495)        | (48,668)       |
| Other current assets   | (10,539)         | 44,668         |
| Net defined benefit assets   | (262)            | (286)          |
| Long-term notes and accounts receivable  | (15,497)         | (2,254)        |
| Total changes in operating assets  | <u>(247,717)</u> | <u>12,800</u>  |
| Changes in operating liabilities:  |                  |                |
| Notes payable  | -                | (10)           |
| Accounts payable   | 35,747           | 23,473         |
| Other payables   | 25,655           | 31,904         |
| Provisions   | 263              | (2,282)        |
| Advance receipts   | (33,139)         | 45,558         |
| Other current liabilities  | (223)            | 107            |
| Total changes in operating liabilities   | <u>28,303</u>    | <u>98,750</u>  |
| Total changes in operating assets and liabilities                                  | <u>(219,414)</u> | <u>111,550</u> |
| Total adjustments  | <u>(216,978)</u> | <u>117,191</u> |
| Cash (used in) generated from operations   | (83,842)         | 255,245        |
| Interest received  | 3,951            | 3,154          |
| Income taxes paid  | (26,692)         | (27,222)       |
| <b>Net cash (used in) provided by operating activities</b>                         | <u>(106,583)</u> | <u>231,177</u> |

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN  
CHINESE)

**DYNAMIC MEDICAL TECHNOLOGIES INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN  
DOLLARS)**

|  | <u>2017</u>              | <u>2016</u>           |
|--|--------------------------|-----------------------|
| <b>Cash flows from investing activities:</b>                                   |                          |                       |
| Acquisition of investments in debt instrument without active market            | -                        | (401,800)             |
| Proceeds from disposal of investments in debt instrument without active market | -                        | 200,900               |
| Acquisition of property, plant and equipment                                   | (220)                    | (66)                  |
| Proceeds from disposal of property, plant and equipment                        | -                        | 388                   |
| Increase in refundable deposits  | -                        | (1,079)               |
| Decrease in refundable deposits  | 3,525                    | -                     |
| Increase in other non-current assets   | (2,127)                  | (927)                 |
| Dividends received   | 1,506                    | 6,240                 |
| <b>Net cash provided by (used in) investing activities</b>                     | <u>2,684</u>             | <u>(196,344)</u>      |
| <b>Cash flows from financing activities:</b>                                   |                          |                       |
| Cash dividends paid  | (106,800)                | (108,900)             |
| Acquisition of ownership interests in subsidiaries                             | <u>(10,000)</u>          | <u>(6,300)</u>        |
| <b>Net cash used in financing activities</b>                                   | <u>(116,800)</u>         | <u>(115,200)</u>      |
| <b>Net decrease in cash and cash equivalents</b>                               | (220,699)                | (80,367)              |
| <b>Cash and cash equivalents at beginning of year</b>                          | <u>663,717</u>           | <u>744,084</u>        |
| <b>Cash and cash equivalents at end of year</b>                                | <b>\$ <u>443,018</u></b> | <b><u>663,717</u></b> |

## **Independent Auditors' Report**

To the Board of Directors of Dynamic Medical Technologies Inc.:

### **Opinion**

We have audited the consolidated financial statements of Dynamic Medical Technologies Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 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 at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. 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.

#### **1. Impairment Assessment on Receivables**

Please refer to Note (4)(g), Note (5) and Note (6)(c) for the "Impairment Assessment on Receivables" section of the consolidated financial statements .

Description of the key audit matter:

The allowance for doubtful debts in the financial statements is based on the ageing report and the recoverability of receivables. Because the assessment of impairment loss of receivables involves critical accounting estimates, which are subject to the judgment of the management, the assessment of the impairment loss of receivables has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures in a response to the assessment of the impairment of receivables were assessing the reasonableness of the methodology and assumptions used by the management for the impairment assessment of receivables and whether the methodology was adopted consistently, testing the reasonableness of the documentation adopted by the management for assessing the impairment of receivables, reviewing the accuracy of the calculation of the allowance for receivables, and evaluating the adequacy of the Group's disclosure for the impairment of receivables.

### **Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion those statements on March 9, 2017.

### **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 with the IFRSs, IASs, interpretation as well as related guidance endorsed 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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditor's 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 auditor's 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 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 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 of the current period 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 Wan-Wan Lin and Liu- Fong Yang.

KPMG

Taipei, Taiwan (Republic of  
China) March 7, 2018

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditor's report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and consolidated financial statements, the Chinese version shall prevail.

**DYNAMIC MEDICAL TECHNOLOGIES INC. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2017 AND 2016****(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

|                 |   | 2017.12.31   |     | 2016.12.31 |     |                              |  | 2017.12.31   |     | 2016.12.31 |     |
|-----------------|---|--------------|-----|------------|-----|------------------------------|--|--------------|-----|------------|-----|
| ASSETS          |   | Amount       | %   | Amount     | %   | LIABILITIES AND EQUITY       |  | Amount       | %   | Amount     | %   |
| Current assets: |   |              |     |            |     | Current liabilities:         |  |              |     |            |     |
| 1100            | Cash and cash equivalents                                     | \$ 925,464   | 40  | 918,807    | 41  | 2170                         | Accounts payable                                       | 104,460      | 5   | 44,957     | 2   |
| 1110            | Current financial assets at fair value through profit or loss | 700          | -   | 716        | -   | 2219                         | Other payables   | 183,220      | 8   | 159,077    | 8   |
| 1147            | Current investments in debt instrument without active market  | 329,900      | 14  | 340,900    | 15  | 2230                         | Current tax liabilities                                | 17,360       | 1   | 23,592     | 1   |
| 1151            | Notes receivable  | 89,335       | 4   | 116,047    | 5   | 2250                         | Current provisions                                     | 10,903       | -   | 10,516     | -   |
| 1170            | Accounts receivable, net                                      | 72,795       | 3   | 100,775    | 4   | 2310                         | Advance receipts                                       | 274,764      | 12  | 304,563    | 13  |
| 1210            | Other receivables, net  | 387          | -   | 7,463      | -   | 2320                         | Long-term liabilities, current portion                 | 299,606      | 13  | -          | -   |
| 1300            | Inventories   | 385,709      | 17  | 267,329    | 12  | 2399                         | Other current liabilities                              | 1,897        | -   | 1,931      | -   |
| 1470            | Other current assets  | 26,456       | -   | 32,962     | -   |                              |  | 892,210      | -   | 544,636    | -   |
|                 |   | 1,830,746    | -   | 1,784,999  | 79  | Non-Current liabilities:     |  |              |     |            |     |
|                 | Non-current assets:   |              |     |            |     | 2530                         | Bonds payable  | -            | -   | 294,518    | 13  |
| 1523            | Non-current available-for-sale financial assets               | 123,869      | 5   | 140,173    | 6   | 2550                         | Non-current provisions                                 | 3,264        | -   | 3,555      | -   |
| 1543            | Non-current financial assets at cost                          | 1,682        | -   | 1,682      | -   | 2570                         | Deferred tax liabilities                               | 5,387        | -   | 8,610      | 1   |
| 1550            | Investments accounted for using equity method                 | 114,388      | 5   | 135,971    | 6   | 2600                         | Other non-current liabilities, others                  | 119          | -   | 167        | -   |
| 1600            | Property, plant and equipment                                 | 68,074       | 3   | 59,181     | 3   |                              |  | 8,770        | -   | 306,850    | -   |
| 1780            | Intangible assets   | 406          | -   | 666        | -   |                              | Total liabilities                                      | 900,980      | 39  | 851,486    | -   |
| 1840            | Deferred tax assets   | 52,303       | 2   | 47,711     | 2   |                              |  |              |     |            |     |
| 1920            | Guarantee deposits paid                                       | 56,587       | 3   | 61,150     | 3   |                              | Equity attributable to owners of parent:               |              |     |            |     |
| 1930            | Long-term notes and accounts receivable                       | 42,598       | 2   | 19,199     | -   | 3110                         | Ordinary share   | 300,000      | 13  | 300,000    | 13  |
| 1975            | Net defined benefit asset                                     | 2,038        | -   | 1,862      | -   | 3200                         | Capital surplus  | 625,942      | 27  | 625,942    | 28  |
| 1980            | Other non-current financial assets                            | 16,000       | 1   | 16,000     | 1   |                              | Retained earnings:                                     |              |     |            |     |
| 1990            | Other non-current assets, others                              | 1,524        | -   | 657        | -   | 3310                         | Legal reserve  | 123,563      | 6   | 111,718    | 5   |
|                 |   | 479,469      | 21  | 484,252    | 21  | 3350                         | Unappropriated retained earnings (accumulated deficit) | 158,907      | 7   | 166,795    | 7   |
|                 |   |              |     |            |     | 3400                         | Other equity interest                                  | 31,394       | 1   | 66,370     | -   |
|                 |   |              |     |            |     |                              | Total equity attributable to owners of parent          | 1,239,806    | 54  | 1,270,825  | 56  |
|                 |   |              |     |            |     | 36XX                         | Non-controlling interests                              | 169,429      | -   | 146,940    | -   |
|                 |   |              |     |            |     |                              | Total equity   | 1,409,235    | 61  | 1,417,765  | 62  |
| TOTALASSETS     |   | \$ 2,310,215 | 100 | 2,269,251  | 100 | TOTAL LIABILITIES AND EQUITY |  | \$ 2,310,215 | 100 | 2,269,251  | 100 |



(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)

**DYNAMIC MEDICAL TECHNOLOGIES INC. AND ITS  
SUBSIDIARIES CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

|      |  | <b>2017</b>       |           | <b>2016</b>    |           |
|------|--|-------------------|-----------|----------------|-----------|
|      |  | <b>Amount</b>     | <b>%</b>  | <b>Amount</b>  | <b>%</b>  |
| 4000 | <b>Operating revenue</b>   | \$ 1,156,622      | 100       | 1,214,814      | 100       |
| 5000 | <b>Operating costs</b>   | 785,819           | 68        | 808,972        | 67        |
|      | <b>Gross profit from operations</b>  | 370,803           | 32        | 405,842        | 33        |
|      | <b>Operating expenses:</b>   |                   |           |                |           |
| 6100 | Selling expenses   | 115,704           | 10        | 111,509        | 9         |
| 6200 | Administrative expenses  | 61,006            | 5         | 99,651         | 8         |
|      |  | 176,710           | 15        | 211,160        | 17        |
|      | <b>Net operating income</b>  | 194,093           | 17        | 194,682        | 16        |
|      | <b>Non-operating income and expenses:</b>  |                   |           |                |           |
| 7010 | Other income   | 8,181             | -         | 7,512          | 1         |
| 7020 | Other gains and losses, net  | (8,213)           | (1)       | (2,890)        | -         |
| 7050 | Finance costs  | (5,088)           | -         | (5,016)        | (1)       |
| 7060 | Share of loss of associates and joint ventures accounted for using equity method                               | (13,367)          | (1)       | (11,353)       | (1)       |
|      |  | (18,487)          | (2)       | (11,747)       | (1)       |
| 7900 | <b>Profit before tax</b>   | 175,606           | 15        | 182,935        | 15        |
| 7950 | <b>Less: Tax expense</b>   | 32,288            | 3         | 34,371         | 3         |
|      | <b>Profit</b>  | 143,318           | 12        | 148,564        | 12        |
|      | <b>Other comprehensive income:</b>   |                   |           |                |           |
| 8310 | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                |                   |           |                |           |
| 8311 | (Losses) gains on remeasurements of defined benefit plans  | (86)              | -         | 50             | -         |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 14                | -         | (9)            |           |
|      | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                | (72)              | -         | 41             |           |
| 8360 | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                    |                   |           |                |           |
| 8361 | Exchange differences on translation  | (21,137)          | (2)       | (9,821)        | (1)       |
| 8362 | Unrealized losses on valuation of available-for-sale financial assets  | (16,304)          | (1)       | (29,534)       | (2)       |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss     | 2,465             | -         | 5,475          |           |
|      | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                    | (34,976)          | (3)       | (33,880)       | (3)       |
|      | <b>Other comprehensive income, net</b>   | (35,048)          | (3)       | (33,839)       | (3)       |
| 8500 | <b>Total comprehensive income for the year</b>   | <b>\$ 108,270</b> | <b>9</b>  | <b>114,725</b> | <b>9</b>  |
|      | <b>Profit attributable to:</b>   |                   |           |                |           |
| 8610 | Profit, attributable to owners of parent   | \$ 113,078        | 10        | 118,454        | 10        |
| 8620 | Profit, attributable to non-controlling interests  | 30,240            | 2         | 30,110         | 2         |
|      |  | <b>\$ 143,318</b> | <b>12</b> | <b>148,564</b> | <b>12</b> |
|      | <b>Comprehensive income attributable to:</b>   |                   |           |                |           |
| 8710 | Comprehensive income, attributable to owners of parent   | \$ 78,030         | 7         | 84,615         | 7         |
| 8720 | Comprehensive income, attributable to non-controlling interests  | 30,240            | 2         | 30,110         | 2         |
|      |  | <b>\$ 108,270</b> | <b>9</b>  | <b>114,725</b> | <b>9</b>  |
|      | <b>Earnings per share attributable to parent company</b>   |                   |           |                |           |
| 9750 | <b>Basic earnings per share (NT dollars)</b>   | <b>\$ 3.77</b>    |           | <b>3.95</b>    |           |
| 9850 | <b>Diluted earnings per share (NT dollars)</b>   | <b>\$ 3.28</b>    |           | <b>3.56</b>    |           |

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
**DYNAMIC MEDICAL TECHNOLOGIES INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

|  | Equity Attributable to Owners of Parent |                    |                  |  |   |   |   |                              |                 |
|--|---|--------------------|------------------|--|---|---|---|------------------------------|-----------------|
|  | Share Capital                           |                    |                  |  | Other Equity Interest   |   | Total Equity<br>Attributable to<br>Owners of Parent | Non-controlling<br>Interests | Total<br>Equity |
|  | Ordinary<br>Shares                      | Capital<br>Surplus | Legal<br>Reserve | Unappropriated<br>Retained<br>Earnings | Exchange<br>Differences on<br>Translation of<br>Foreign Financial<br>Statements | Unrealized Gains<br>(Losses) on<br>Available for sale<br>Financial Assets |   |                              |                 |
| Balance as of January 1, 2016  | \$ 300,000                              | 625,942            | 99,634           | 171,514                                | 24,451  | 75,799  | 1,297,340   | 125,670                      | 1,423,010       |
| Profit for the year  | -                                       | -                  | -                | 118,454                                | -   | -   | 118,454   | 30,110                       | 148,564         |
| Other comprehensive income for the year  | -                                       | -                  | -                | 41                                     | (8,152)   | (25,728)  | (33,839)  | -                            | (33,839)        |
| Total comprehensive income   | -                                       | -                  | -                | 118,495                                | (8,152)   | (25,728)  | 84,615  | 30,110                       | 114,725         |
| Appropriation and distribution of retained earnings:   |   |                    |                  |  |   |   |   |                              |                 |
| Legal reserve appropriated   | -                                       | -                  | 12,084           | (12,084)                               | -   | -   | -   | -                            | -               |
| Cash dividends of ordinary share   | -                                       | -                  | -                | (108,900)                              | -   | -   | (108,900)   | -                            | (108,900)       |
| Difference between consideration and carrying amount of subsidiaries<br>acquired or disposed | -                                       | -                  | -                | (2,230)                                | -   | -   | (2,230)   | 2,230                        | -               |
| Changes in non-controlling interests   | -                                       | -                  | -                | -                                      | -   | -   | -   | (11,070)                     | (11,070)        |
| Balance as of December 31, 2016  | 300,000                                 | 625,942            | 111,718          | 166,795                                | 16,299  | 50,071  | 1,270,825   | 146,940                      | 1,417,765       |
| Profit for the year  | -                                       | -                  | -                | 113,078                                | -   | -   | 113,078   | 30,240                       | 143,318         |
| Other comprehensive income for the year  | -                                       | -                  | -                | (72)                                   | (17,544)  | (17,432)  | (35,048)  | -                            | (35,048)        |
| Total comprehensive income   | -                                       | -                  | -                | 113,006                                | (17,544)  | (17,432)  | 78,030  | 30,240                       | 108,270         |
| and distribution of retained earnings:   |   |                    |                  |  |   |   |   |                              | Appropriation   |
| Legal reserve appropriated   | -                                       | -                  | 11,845           | (11,845)                               | -   | -   | -   | -                            | -               |
| Cash dividends of ordinary share   | -                                       | -                  | -                | (106,800)                              | -   | -   | (106,800)   | -                            | (106,800)       |
| Difference between consideration and carrying amount of subsidiaries<br>acquired or disposed | -                                       | -                  | -                | (2,249)                                | -   | -   | (2,249)   | 2,249                        | -               |
| Changes in non-controlling interests   | -                                       | -                  | -                | -                                      | -   | -   | -   | (10,000)                     | (10,000)        |
| Balance as of December 31, 2017  | \$ 300,000                              | 625,942            | 123,563          | 158,907                                | (1,245)   | 32,639  | 1,239,806   | 169,429                      | 1,409,235       |

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)  
DYNAMIC MEDICAL TECHNOLOGIES INC. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

|  | <u>2017</u>     | <u>2016</u>     |
|--|-----------------|-----------------|
| <b>Cash flows from operating activities :</b>                                      |                 |                 |
| <b>Profit before tax</b>   | \$ 175,606      | 182,935         |
| <b>Adjustments:</b>  |                 |                 |
| Adjustments to reconcile profit (loss):  |                 |                 |
| Depreciation expense   | 33,528          | 32,036          |
| Amortization expense   | 3,236           | 1,502           |
| Provisions for bad debt expense  | (8,626)         | 8,306           |
| Net loss on financial assets or liabilities at fair value through profit or loss   | (45)            | 814             |
| Interest expense   | 5,088           | 5,016           |
| Interest income  | (6,248)         | (5,998)         |
| Dividend income  | (1,561)         | (1,142)         |
| Share of losses of associates and joint ventures accounted for using equity method | 13,367          | 11,353          |
| Loss on disposal of property, plant and equipment                                  | 159             | (4,184)         |
| Reversal of impairment loss on non-financial assets                                | <u>(1,120)</u>  | <u>(1,525)</u>  |
| Total adjustments to reconcile profit  | <u>37,778</u>   | <u>46,178</u>   |
| Changes in operating assets and liabilities:                                       |                 |                 |
| Changes in operating assets:   |                 |                 |
| Financial assets held for trading  | 61              | (1,530)         |
| Notes receivable   | 25,939          | (9,085)         |
| Accounts receivable  | 37,667          | (18,611)        |
| Other receivables  | 7,076           | (6,707)         |
| Inventories  | (137,988)       | (36,598)        |
| Other current assets   | 4,129           | 25,994          |
| Net defined benefit assets   | (262)           | (286)           |
| Long-term notes and accounts receivable  | <u>(23,399)</u> | <u>(5,364)</u>  |
| Total changes in operating assets  | <u>(86,777)</u> | <u>(52,187)</u> |
| Changes in operating liabilities:  |                 |                 |
| Notes payable  | -               | (353)           |
| Accounts payable   | 59,503          | 23,166          |
| Other payables   | 24,143          | 35,233          |
| Provisions   | 210             | (6,422)         |
| Advance receipts   | (29,799)        | 53,724          |
| Other current liabilities  | <u>(34)</u>     | <u>(520)</u>    |
| Total changes in operating liabilities   | <u>54,023</u>   | <u>104,828</u>  |
| Total changes in operating assets and liabilities                                  | <u>(32,754)</u> | <u>52,641</u>   |
| Total adjustments  | <u>5,024</u>    | <u>98,819</u>   |
| Cash generated from operations   | 180,630         | 281,754         |
| Interest received  | 6,255           | 5,988           |
| Income taxes paid  | <u>(43,202)</u> | <u>(40,413)</u> |
| <b>Net cash provided by operating activities</b>                                   | <u>143,683</u>  | <u>247,329</u>  |

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN  
CHINESE)

**DYNAMIC MEDICAL TECHNOLOGIES INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

|  | <u>2017</u>       | <u>2016</u>      |
|--|-------------------|------------------|
| <b>Cash flows from investing activities:</b>                                   |                   |                  |
| Acquisition of investments in debt instrument without active market            | (128,600)         | (501,800)        |
| Proceeds from disposal of investments in debt instrument without active market | 139,600           | 270,900          |
| Acquisition of property, plant and equipment                                   | (23,336)          | (15,332)         |
| Proceeds from disposal of property, plant and equipment                        | 1,237             | 8,638            |
| Decrease in refundable deposits  | 4,563             | 7,092            |
| Acquisition of intangible assets   | -                 | (770)            |
| Increase in other financial assets   | -                 | (10,000)         |
| Increase in other non-current assets   | (2,127)           | (926)            |
| Dividends received   | <u>1,561</u>      | <u>1,142</u>     |
| <b>Net cash used in investing activities</b>                                   | <u>(7,102)</u>    | <u>(241,056)</u> |
| <b>Cash flows from financing activities:</b>                                   |                   |                  |
| Decrease in other non-current liabilities                                      | (48)              | (15)             |
| Cash dividends paid  | (106,800)         | (108,900)        |
| Acquisition of ownership interests in subsidiaries                             | (10,000)          | (6,300)          |
| Cash dividends paid to non-controlling interests                               | <u>-</u>          | <u>(4,770)</u>   |
| <b>Net cash used in financing activities</b>                                   | <u>(116,848)</u>  | <u>(119,985)</u> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>            | (13,076)          | (8,344)          |
| <b>Net increase (decrease) in cash and cash equivalents</b>                    | 6,657             | (122,056)        |
| <b>Cash and cash equivalents at beginning of year</b>                          | <u>918,807</u>    | <u>1,040,863</u> |
| <b>Cash and cash equivalents at end of year</b>                                | <b>\$ 925,464</b> | <b>918,807</b>   |

## **Appendix 7 : Comparison Table for Before and After Reivison of Article ” Operational Procedures for Endorsements and Guarantees”**

The 20<sup>th</sup> revision, 5th Board of Directors’ meeting on December 6,2017

| <b>After Amendment</b>  | <b>Before Amendment</b>   | <b>Reason for Amendment</b>  |
|---|---|--|
| <p>Article 5</p> <p>The total amount of the external endorsement guarantees of the Company may not exceed the net amount of its shareholders' equity at that time, but the total endorsement guarantee for a single company shall be limited to 20% of the net shareholders' equity. The net shareholders' equity is based on that in the latest financial statement examined and reviewed by an accountant.</p> <p>If the Company provides an endorsement guarantee to another entity due to business dealings, the endorsement guarantee amount shall not exceed the total amount of the entity’s transactions with the Company in the most recent year (the higher of the purchase or sale amount).</p> <p>The Company may provide endorsement guarantees to other companies in which the Company holds 100% of the voting shares either directly or indirectly.</p> | <p>Article 5</p> <p>The total amount of the external endorsement guarantees of the Company may not exceed <u>50% of</u> the net amount of its shareholders' equity at that time, but the total endorsement guarantee for a single company shall be limited to 20% of the net shareholders' equity. The net shareholders' equity is based on that in the latest financial statement examined and reviewed by an accountant.</p> <p>If the Company provides an endorsement guarantee to another entity due to business dealings, the endorsement guarantee amount shall not exceed the total amount of the entity’s transactions with the Company in the most recent year (the higher of the purchase or sale amount).</p> <p>The Company may provide endorsement guarantees to other companies in which the Company holds 100% of the voting shares either directly or indirectly.</p> | <p>The amendment is made according to the Company’s current operations.</p>  |
| <p>Article 8</p> <p>Seal use and safekeeping procedures:</p> <p>The seals for the Company's external guarantee shall be limited to the Company's seals registered with the Ministry of Economic Affairs. The Company's corporate seal and the legal representative’s seal shall be separately managed by dedicated persons. <u>The seals shall be kept by dedicated persons authorized by the Board of Directors</u>, and shall be applied for or used for issuing notes in</p>   | <p>Article 8</p> <p>Seal use and safekeeping procedures:</p> <p>The seals for the Company's external guarantee shall be limited to the Company's seals registered with the Ministry of Economic Affairs. The Company's corporate seal and the legal representative’s seal shall be separately managed by dedicated persons, and shall be applied for or used for issuing notes in accordance with the operating procedures prescribed by the Company.</p>   | <p>The amendments are made according to Article 17 of the Guidelines for Handling Loans to Others and Endorsement Guarantees by Listed Companies</p> |

| After Amendment   | Before Amendment | Reason for Amendment |
|---|------------------|----------------------|
| <p>accordance with the operating procedures prescribed by the Company.</p> <p><u>If the Company provides an endorsement guarantee to a foreign company, the letter of guarantee issued by the Company shall be signed by the person authorized by the Board of Directors.</u></p> |                  |                      |

## Appendix 8 : Comparison Table for Before and After Reivison of Article “Articles of Incorporation”

The 22<sup>th</sup> revision, 5th Board of Directors’ meeting on March 7,2018

| After Amendment  | Before Amendment   | Reason for Amendment   |
|--|--|--|
| <p>Article 15</p> <p>The Board of Directors shall be organized by the Directors. <u>One of the Directors</u> shall be elected as the Chairman of the Board in a board meeting where two thirds or more of the Directors are present, and the consent is obtained from half or more of the Directors present. <u>A Vice Chairman may also be elected among the Directors to assist the Chairman.</u> Internally the Chairman of the Board acts as the chairman of shareholders' meetings and board meetings, and externally represents the Company.</p> | <p>Article 15</p> <p>The Board of Directors shall be organized by the Directors. <u>A Chairman and a Vice Chairman</u> shall be elected in a board meeting where two thirds or more of the Directors are present, and the consent is obtained from half or more of the Directors present. Internally the Chairman of the Board acts as the chairman of shareholders' meetings and board meetings, and externally represents the Company.</p> | <p>The amendments are made according to the Company’s actual operations.</p> |
| <p>Article 24</p> <p>The Articles of Association were established on September 18, 2003 (the 1<sup>st</sup> to the 14<sup>th</sup> revisions were made on the same day; omitted). The 15<sup>th</sup> revision was made on June14, 2018.</p>   | <p>Article 24</p> <p>The Articles of Association were established on September 18, 2003 (the 1<sup>st</sup> to the 14<sup>th</sup> revisions were made on the same day; omitted).</p>  | <p>Revision dates are appended.</p>  |

## **Appendix 9 : 「 Procedures for Election of Directors 」 (Re-enactment)**

The 20<sup>th</sup> revision, 5th Board of Directors' meeting on December 6, 2017

### **Procedures for Election of Directors**

Article 1 : To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 : Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 3 : The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.



Article 4 : The qualifications for the independent directors of this Corporation shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 5 : Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. This Corporation shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for GTSM Listing under Article 10, Paragraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 6 : The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 7 : The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 8 : The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective

numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 9 : Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 10 : If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

Article 11 : A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

Article 12: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 13 : The board of directors of this Corporation shall issue notifications to the persons elected as directors.

Article 14 : These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

## Appendix 10 : The Announcement List of the Director (including Independent Director) Candidates

The 22<sup>th</sup> proponent, 5th Board of Directors' meeting on March 7,2018

The 23<sup>th</sup> evaluation, 5th Board of Directors' meeting on May 3,2018

| Title    | Name  | Main Qualifications  | Current Position   | No. of Shares Held  |
|----------|---|--|--|---|
| Director | Company representative of Excelsior Medical Co., Ltd: Yang Lung-He      | Bachelor of Engineering, Department of Electronics, Chung Cheng Institute of Technology<br>Maintainance Manager, Jian Horng Electrical. Co., Ltd.<br>Deputy General Manager of Yu Xi Techonology Co., Ltd.   | Chairman and Deputy General Manager of Dynamic Medical Technologies Inc.<br>Director of Excelsior Medical Co., Ltd<br>Director of Dynamic Medical Technologies (Hong Kong) Limited<br>Director of CYJ International Taiwan Inc.<br>Director of Medytox Taiwan Inc. | By institutional investors: 11,550,425 shares<br><br>By individual investors: 20,000 shares |
| Director | Company representative of Excelsior Medical Co., Ltd: Huang Chieh-Ching | Master of Business Management Institute of Da-Yeh University<br>Audit Assistant<br>Manager of Deloitte<br>Vice President of Administration of Xintai General Hospital<br>Special Assistant to the Medical Dean of Catholic St. Paul Hospital<br>Chief Financial Officer of Excelsior Medical Co., Ltd.<br>Chief Financial Officer of Dynamic Medical Technologies Inc. | Special assistant to the general manager of Dynamic Medical Technologies Inc.<br>Supervisor of Bestsmile Co., Ltd.<br>Director of Scivision Biotech Inc.<br>Legal representative of Beijing Excelsior Beauty Limited   | By institutional investors: 11,550,425 shares<br><br>By individual investors: 1,030 shares  |
| Director | Company representative of Excelsior Medical Co., Ltd: You Shu-Fan       | Master of NCCU<br>Department of management information systems<br>Bachelor of Business Administration, Department of Information Management, National Central University<br>Data Systems Consulting Co., Ltd.<br>Associate of TutorABC<br>Director of Explore Original Force Co., Ltd.<br>Director of Yuya Management Consulting Co., Ltd.<br>Writer of hbrtaiwan      | Director of Explore Original Force Co., Ltd.<br>Director of Yuya Management Consulting Co., Ltd.   | By institutional investors: 11,550,425 shares<br><br>By individual investors: 0 shares      |

| Title    | Name           | Main Qualifications   | Current Position   | No. of Shares Held |
|----------|----------------|---|--|--------------------|
|          |                | Writer of Managertoday  |  |                    |
| Director | Fu Hui-Tung    | Master of Business Administration, University of Southern Queensland, Australia Laboratory Department, Central Taiwan Medical Technology College  | Chairman of Dynamic Medical Technologies Inc.<br>Chairman of Excelsior Medical Co., Ltd.<br>Chairman of Excelsior Group Holdings Co., Ltd.<br>Director of Bestchain Healthtaiwan Co., Ltd.<br>Director of Visionfront Corporation<br>Chairman and General manager of Excelsior Beauty Co., Ltd.<br>Chairman of Xuan Hui Investment Co., Ltd.<br>Chairman of Excelsior Healthcare Co., Ltd.<br>Director of Excelsior Group Holdings Ltd.<br>Chairman of Asia Best Healthcare Co., Ltd<br>Chairman of Arich Enterprise Co., Ltd.<br>Chairman of Excelsior Medical (HK) Co., Ltd.<br>Director of Sino Excelsior Investment Incorporation<br>Director of Focus Health Co., Ltd.<br>Director of CYJ International Company Limited<br>Director of Financial corporation for Excelsior Health Foundation  | 0                  |
| Director | Fu Jo-Hsuan    | Bachelor of Business Administration, Department of Information Management, National Central University<br><br>Director of Excelsior Medical Co., Ltd.<br>Chairman of Director of Excelsior Investment Co. | General Manager of Dynamic Medical Technologies Inc.<br>Director of Excelsior Medical Co., Ltd.<br>Chairman of Director of Excelsior Investment Co.<br>Director of Excelsior Group Holdings Co., Ltd.<br>Director of Jiate Excelsior Co., Ltd.<br>Director of Bestchain Healthtaiwan Co., Ltd.<br>Director of Excelsior Beauty Co., Ltd.<br>Director of Xuan Hui Investment Co., Ltd.<br>Director of EXCELSIOR RENAL SERVICE CO.LTD<br>Director of Dynamic Medical Technologies (Hong Kong) Limited<br>Director of Sino Excelsior Investment Incorporation<br>Legal representative of Guangzhou Dynamic Inc.<br>Director of Excelsior Beauty Limited of Hong Kong<br>Director of Beijing Yu Jia Cheng Yue Investment Management Co., Ltd.<br>Chairman of CYJ International Taiwan Inc.<br>Director of Medytox Taiwan Inc.<br>Director of Shinkong Excelsior Asset Management Co., Ltd.<br>Director of Bauibiotech Co., Ltd.<br>Chairman of Tripleai Technology Co., Ltd. | 0                  |
| Director | Wang Ming-Ting | Master of Business Administration, University of Southern Queensland, Australia Department of   | spokesman of Dynamic Medical Technologies Inc.<br>Director of Excelsior Medical Co., Ltd.<br>Director of Excelsior Investment Co.<br>Director of Excelsior Group Holdings Co.,   | 0                  |

| <b>Title</b>         | <b>Name</b>   | <b>Main Qualifications</b>   | <b>Current Position</b>   | <b>No. of Shares Held</b> |
|----------------------|---------------|--|---|---------------------------|
|                      |               | Accounting and Statistics, National Taichung College of Business<br>Section Manager of Accounting Section and Examination Section, Taiwan Land Development Investment Trust Corporation<br>Specialist of Bank Of Communications<br>Director of Jia Yi Application Technology Co., Ltd.     | Ltd.<br>Supervisor of Bestchain Healthtaiwan Co., Ltd.<br>Director of Dynamic Medical Technologies Inc.<br>Supervisor of Excelsior Beauty Co., Ltd.<br>Dirtctor of Xuan Hui Investment Co., Ltd.<br>Director of Arich Enterprise Co., Ltd.<br>Director of Sino Excelsior Investment Incorporation<br>Director of Arich Best Chain Co., Ltd.<br>Director of Join Fun Co., Ltd.<br>Director of Beijing Yu Jia Cheng Yue Investment Management Co., Ltd.<br>Director of Shinkong Excelsior Asset Management Co., Ltd.<br>Supervisor of Bauibiotech Co., Ltd.<br>Member of the Remuneration Committee of Taiwan Fertilizer Co., Ltd.<br>Member of the Remuneration Committee of Unic Technology Corp. |                           |
| Independent Director | Chen Hsieh-Yu | Master of Business Management Institute of Da-Yeh University<br><br>Chief of Section of Jih Sun Securities Co.,Ltd.<br>Associate of Jih Sun Bank<br>Deputy Chairman of Far Eastern Air Transport<br>Director of TEKOM Technology Co.,LTD<br>Director of Baodao Futures Brokerage Co., Ltd. | NA  | 0                         |
| Independent Director | Shih Mei-Hui  | National Chung Hsing University accountancy<br><br>Manager of Deloitte & Touche<br>Accounting Manager of CSB Battery Technologies<br>Chief Financial Officer of CHINESE UNITED SEMICONDUCTOR EQUIPMENT MANUFACTURING INC.  | CPA of Yide Joint Certified Public Accountants<br>Member of the Remuneration Committee of Excelsior Medical Co., Ltd.<br>Supervisor of Shanghai Village Culinary Co., Ltd.<br>Director of Sibio Enterprise Management Consultants Limited   | 0                         |
| Independent Director | Yang Yu-Ming  | Taiwan University Law Division<br><br>Supervisor of TAIHAN PRECISION TECHNOLOGY CO., LTD.  | Independent Director of China Communications Media Group Co.,Ltd<br>Independent Director of Arich Enterprise Co., Ltd.<br>Independent Director of Hong-Wei Electrical Industry Co., Ltd.  | 0                         |

| Title | Name | Main Qualifications                                    | Current Position | No. of Shares Held |
|-------|------|--|------------------|--------------------|
|       |      | Chief Financial Officer of SOFTSTAR ENTERTAINMENT INC. |                  |                    |

## Appendix 11 : Total Shares held by whole shareholders of The Company

1. Paid-in Capital of the Company is NTD 300,000,000, with total number of outstanding shares: 30,000,000 shares.
2. According to Article 26, Securities & Exchange Act and Article 2, Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum shareholding number shall be 4,500,000 shares
3. As the Company set up audit committee, it has no regulatory shareholding number application for supervisors.
4. Independent directors' shareholding number is not counted in the regulatory shareholding number of whole directors and shareholding percentage for ratio calculation will be lower to 80%.
5. Shareholding numbers of individual directors and whole directors recorded on the shareholder list on April 16, 2018 as a book closure date of annual shareholders' meeting for this time are listed as follows :

| Position   | Name   | Date Elected | Share hold While Elected |                    | Book Closure Date, up to April 16 ,2018 |                    |
|--|--|--------------|--------------------------|--------------------|---|--------------------|
|  |  |              | Number of Share          | Shareholding Ratio | Number of Share                         | Shareholding Ratio |
| Chairman   | FU, HUI-TUNG   | 2015.06.18   | 0                        | 0                  | 0                                       | 0                  |
| Vice Chairman  | YANG, LUNG-HO  | 2015.06.18   | 20,000                   | 0.07%              | 20,000                                  | 0.07%              |
| Director   | FU, JO-HSUAN   | 2015.06.18   | 0                        | 0                  | 0                                       | 0                  |
| Director   | Excelsior Medical Co., Ltd:<br>legal representative : WANG, MING-TING<br>legal representative : HUANG, CHIEH-CHING<br>legal representative : CHANG, MING-CHENG | 2015.06.18   | 11,550,425               | 38.50%             | 11,550,425                              | 38.50%             |
| Independent Director                                 | CHEN, HSIEH-YU   | 2015.06.18   | 0                        | 0                  | 0                                       | 0                  |
| Independent Director                                 | SHIH, MEI-HUI  | 2015.06.18   | 0                        | 0                  | 0                                       | 0                  |
| Independent Director                                 | YANG, YU-MING  | 2015.06.18   | 0                        | 0                  | 0                                       | 0                  |
| Total shares held by whole directors of the Company. |  |              | 11,570,425               | 38.57%             | 11,570,425                              | 38.57%             |