

Stock Code: 4104



EXCELSIOR MEDICAL CO., LTD.



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

Meeting Time: June 21, 2018

Place: 3F, No. 631 Zhongzheng Road Zhonghe
District, New Taipei City (Four Points by
Sheraton, 3F Southeast Hall)

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

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I. Procedure for the 2018 Annual Meeting of Shareholders

1. Call the meeting to order
2. Chairperson takes chair
3. Chairperson remarks
4. Company reports
5. Proposals
6. Discussions
7. Questions and motions
8. Adjournment

II. Annual Shareholders' Meeting Agenda Schedule

Time: 9:00 AM on June 21, 2018

Place: 3F, No. 631 Zhongzheng Road Zhonghe District , New Taipei City
(Four Points by Sheraton , 3F Southeast Hall)

1. Call the meeting to order
2. Chairperson takes chair
3. Chairperson remarks
4. Company reports
 - (1) 2017 Business report and the 2018 business plan.
 - (2) Audit Committee's review report on the 2017 financial statements.
 - (3) 2017 Distribution report of director remunerations and employee compensation.
 - (4) Report on the endorsement and guarantee status.
 - (5) Implementation of Investments in China.
 - (6) Amending part of the articles of the Company's "Regulations Governing Procedure for Board of Directors Meetings".
 - (7) The short-form merging execution report of The Company and its subsidiaries Animation Medical Technologies Ltd.
5. Proposals
 - (1) Adoption of the Company's 2017 financial statements.
 - (2) Adoption of the proposal for distribution of 2017 profits.
6. Discussions
 - (1) Release the prohibition on directors from participation in competition businesses.
 - (2) Institute the Company's "Operational Procedures for Loaning of Company Funds".
7. Questions and motions
8. Adjournment

III. Agenda of Annual Meeting of Shareholders

1. Call the meeting to order

2. Chairperson takes chair

3. Chairperson remarks

4. Company reports

(1) 2017 Business report and 2018 business plan: Please refer to Appendix 3, "Business Report", at page 23 of this Manual.

(2) Audit Committee's review report on the 2017 financial statements. Please refer to Appendix 4, "Audit Committee's Review Report", at page 33 of this Manual.

(3) 2017 Distribution report of director remuneration and employee compensation.
Explanation: As adopted by the Company's Board of Directors on March 27, 2018, 2.5% of the Company's 2017 profits in an amount of NT\$12,142,512, shall be distributed to directors as their remuneration, whereas 5% of the profits in an amount of NT\$24,285,023 shall be distributed to employees as their compensation. The preceding amounts shall be distributed in cash. The amounts are the same as the amounts recognized for the 2017 expenses.

(4) Report on the endorsement and guarantee status

Explanations:

1. The upper limit for the Company's total endorsement/guarantee amount is based on the net value of the latest financial statement audited or reviewed by the CPA, the net value at December 31, 2017 was NT\$6,416,469,000, and the upper limit of endorsement/guarantee for a single enterprise did not exceed the 20% of the net value.

2. The Company's endorsement/guarantee amount did not exceed the limit as above.

3. The following were the Company's endorsement recipients as of December 31, 2017:

Unit: thousand NT dollars

Parent company or subsidiary	Company name of the endorsement/guarantee provider	Endorsement/guarantee recipient	Relationship with the endorsement/guarantee recipient	Upper limit of endorsement/guarantee for a single enterprise	The highest endorsement/guarantee balance of this period	Ending endorsement/guarantee balance	Amount actually used	Ratio of accumulated endorsement/guarantee amount to the net value of the latest financial statement	Upper limit of the endorsement/guarantee amount
Parent	Excelsior Medical Co., Ltd.	Bestsmile Co., Ltd.	2	1,283,294	30,166	10,000	10,000	0.16%	6,416,469
		Excelsior Renal Service Co., Limited	1	644,187	—	—	—	—	6,416,469
		Bestchain Healthtaiwan Co., Ltd.	1	1,206,088	1,000,016	840,016	267,000	13.09%	6,416,469

Parent company or subsidiary	Company name of the endorsement/guarantee provider	Endorsement/guarantee recipient	Relationship with the endorsement/guarantee recipient	Upper limit of endorsement/guarantee for a single enterprise	The highest endorsement/guarantee balance of this period	Ending endorsement/guarantee balance	Amount actually used	Ratio of accumulated endorsement/guarantee amount to the net value of the latest financial statement	Upper limit of the endorsement/guarantee amount
Subsidiary	Dynamic Medical Technologies Inc.	Dynamic Medical Technologies (Hong Kong) Limited	2	247,961	119,036	57,139	—	4.61%	619,903
2 nd -tier subsidiary	Excelsior Beauty Co., Ltd.	Dynamic Medical Technologies Inc.	4	73,653	100	—	—	—	184,133
Subsidiary	Arich Enterprise Co., Ltd.	Taiwan Shionogi Inc.	1	134,037	—	—	—	—	527,296

Note 1: The relationships between the endorsement/guarantee provider and endorsement/guarantee recipient are indicated as follows:

1. Company having business relationship with the Company.
2. The Company's subsidiary where the Company directly holds more than 50% of its common stock equity.
3. The invested company where its parent company and subsidiaries in aggregation hold more than 50% of its common stock equity.
4. The parent company which directly holds more than 50% of the common stock equity of the Company or indirectly holds more than 50% of the common stock equity of the Company through its subsidiaries.

(5) Implementations of investment in China

Explanation: The Company and its subsidiaries' investments in China, which were approved by the Investment Commission, MOEA and already implemented as of December 31, 2017, are as follows:

Unit: the amounts below are expressed in thousands of NT dollars, unless otherwise stated

Name of the investee	Capital contribution amount	Ratio of shares directly or indirectly invested by the Company	Major production and sales items
Excelsior Healthcare (ShangHai) Corporation (Note 1)	\$ 30,240	-	Sales and lease of medical devices, and medical management and consulting business
Beijing Pacific Bo-Ai Medical Management Co., Ltd.	80,327	7.8%	Investment and medical management and consulting business
Sino Excelsior Investment Incorporation	947,845	81.0%	Investment, sales and lease of medical devices and medical management and consulting business
Beijing Yu Jia Cheng Yue Investment Management Co., Ltd	-	81.0%	Investment, sales and lease of medical devices and medical management and consulting business
Shang Hai Wan Li Medical Beauty Co., Ltd.	-	81.0%	Businesses in relation to service provider of professional slimming and beauty/ health products

Name of the investee	Capital contribution amount	Ratio of shares directly or indirectly invested by the Company	Major production and sales items
Shang Hai Bai-Li Management Co., Ltd	-	81.0%	Investment, sales and lease of medical devices and medical management and consulting business
Guangzhou Dynamic Inc.	119,598	38.5%	Medical device sales and maintenance business
Beijing Excelsior Beauty Ltd.	34,424	38.5%	Medical device sales and maintenance business
National Pharmaceutical Logistics Corp., Ltd.	66,603	7.0%	Pharmaceutical logistics

Note 1: Excelsior Healthcare (Shang Hai) Corporation had been liquidated in March 2016; however, the amount of investment has not been remitted back to Taiwan.

- (6) Amending part of the articles of the Company's "Regulations Governing Procedure for Board of Directors Meetings".

Explanations:

1. According to the public announcement No. Financial-Supervisory-Secarifies-corporate-1060027112, the company amended parts of the Company's "Regulations Governing Procedure for Board of Directors Meetings".
 2. Please refer to Appendix 5 at page 34 of this Manual.
- (7) The short-form merging execution report of The Company and its subsidiaries Animation Medical Technologies Ltd.

Explanations : In order to integrate the resources of the related enterprises and make business performance more efficient, the company and its 100% owned subsidiary company Animation Medical Technologies Ltd.(hereinafter referred to as "AMT") applied for short-form merger. And it was approved by the Ministry of Economic Affairs on July 31, 2017. After short-form merged, ATM as dissolved company and the company is the surviving company.

5. Proposals

Proposal 1: Adoption of the Company's 2017 financial statements (proposed by the Board of Directors).

Explanations:

1. The Company's 2017 individual financial statements and consolidated financial statements have been audited by CPAs Wan-Wan Lin and Liu-Fong Yang of KPMG, Taiwan. The aforesaid financial statements, together with the business report and profits distribution proposal, have

been audited by the Audit Committees and adopted by the Company's Board of Directors, and hereby proposed to the Board of Shareholders for adoption.

- The Company's financial statements, including the "Business Report" (please refer to Appendix 3 at page 23 of this Manual), and the "2017 Individual financial statements and consolidated financial statements along with the CPA's audit report" (please refer to Appendix 6 at page 41 of this Manual), are attached.

Resolution:

Proposal 2: Adoption of the proposal for distribution of 2017 profits (proposed by the Board of Directors)

Explanations:

- It is proposed in accordance with the Company Act and Company's Articles of Incorporation.
- The Company's 2017 profits are proposed to be distributed according to the following distribution


Excelsior Medical Co., Ltd.
Profit Distribution Statement Year 2017

<u>Account</u>	<u>Amount</u>
Beginning retained earnings	\$1,449,267,144
Retained earnings adjusted due to investment under the equity method	(6,257,149)
Retained earnings recognized as remeasurement of defined benefit plan	(3,081,383)
Undistributed earnings after adjustment	1,439,928,612
Current year net profit after tax	<u>399,047,299</u>
Earnings available for distribution	1,838,975,911
Allocated for legal reserve	(39,904,730)
Allocated for special reserve	(147,753,795)
Cash dividend distributed to shareholders — \$2.8 per share	(357,916,678)
Unappropriated retained earnings (end of period)	<u>\$1,293,400,708</u>

Unit: NT\$

Note 1: As of March 19, 2018, the quantity of the Company's outstanding shares was 127,827,385.

Chairperson:
Fu Hui-Tung



Manager:
Kao Shen



Accounting Chief:
Chou Cheng-Hsiao



3. For cash dividend distribution, the Board of Directors shall separately determine an ex-dividend base date and process related matters of cash dividend distribution after adoption by the Board of Shareholders. However, in case of any change in the per-share cash dividend rate as a result of the fact that any holder of the convertible corporate bond issued by the Company applies for conversion and repurchase of the Company's shares, or the treasury stock is transferred or deleted, which further affects the number of the Company's outstanding shares, the Board of Directors shall be authorized to adjust the shareholder's cash dividend rate according to the distribution amount adopted by the Board of Shareholders for this proposal and the number of the Company's actual outstanding shares. In addition, the cash dividend shall be calculated to the nearest dollar and the decimal figures shall be rounded off. The amount rounded off from the current cash dividend shall be listed under the Company's other income.

Resolution:

6. Discussions

Proposal 1: Release the prohibition on directors from participation in competition businesses. Please proceed to discuss. (Proposed by the Board of Directors)

Explanations:

1. According to Article 209 of the Company Act, "a director who acts for themselves or on behalf of others within the Company's business scope shall explain to the Board of Shareholders the essential contents of such an act and obtain its approval".
2. In case that any of the Company's directors invests in or operates a business same as or similar to the Company's and act as a director in such business, they shall submit the case to the Board of Shareholders by law and obtain its approval. If the Company's newly elected directors are also under the aforesaid circumstance, the Company agrees to release the prohibition on directors from participation in competition businesses.
3. List of Release of the prohibition on Directors from participation in competition businesses. Please refer to Appendix 7 at page 59 of this Manual.

Resolution:

Proposal 2: Institute the Company's "Operational Procedures for Loaning of Company Funds". Please proceed to discuss. (Proposed by the Board of Directors)

Explanations:

1. In order to conform to the needs of business practice.
2. Please refer to Appendix 8 at page 60 of this Manual.

Resolution:

7. Questions and motions

8. Adjournment

IV. Appendixes

Appendix 1 : Rules of Procedure for Shareholders' Meetings

Amended in the regular shareholders' meeting held on June 16, 2016

Article 1: In order to establish a good shareholders' meeting governance system, strengthen the supervision function and reinforce management efficiency, the Company specifically sets up the Rules in accordance with Article 5 of the Corporate Governance Best Practice Principle for TWSE/GTSM Listed Companies for the personnel across the Board to comply with.

Article 2: Unless otherwise stated by law or the Company's Articles of Incorporation, the Rules shall be followed in the Company's shareholders' meetings.

Article 3: Unless otherwise stated by law, the Company's shareholders' meetings shall be convened by the Board of Directors.

The Company shall prepare the shareholders' meeting notification letter, letter of proxy and the subjects of various motions, such as adoption case, discussion cases and director election or dismissal, as well as the explanation data, in electronic format and transmit them to the Market Observation Post System at least 30 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting. At the same time, the shareholders' meeting agenda manual and meeting supplementary materials shall be prepared in electronic format and transmitted to the Market Observation Post System at least 21 days prior to a regular shareholders' meeting or at least 15 days prior to a special shareholders' meeting. The agenda manual and the supplementary materials for the shareholders' meeting in question shall be prepared at least 15 days prior to the shareholders' meeting for requesting by shareholders, displayed at the Company and its stock affairs service agency's place, and also be distributed at the shareholders' meeting.

The reason for convening a meeting shall be specified in the notification and announcement: If it is agreed by the counterparty, the notification can be made in electronic format.

Director election or dismissal, change of the Company's Articles of Incorporation, corporate dissolution, merger, split or the matters prescribed by Paragraph 1 of Article 185 of the Company Act; Articles 26-1 and 43-6 of the Securities and Exchange Act; and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed in the causes for convening a meeting. Those matters shall not be put forth as extemporary motions.

Those shareholders who hold more than 1% of the issued shares are entitled to submit a motion to a regular shareholders' meeting. However, each of them can only submit one motion at a regular shareholders' meeting; further motions will not be listed in the agenda. Also, for any motions proposed by shareholders under any of the circumstances listed in Paragraph 4 of Article 172-1 of the Company Act, the Board of Directors may exclude them in the agenda.

The Company shall announce the opening of acceptance of shareholders' proposals and acceptance place and period before the suspension date of stock ownership transfer prior to the holding of a regular shareholders' meeting. The acceptance period shall be at least 10 days.

Any motion proposed by shareholders shall be limited to 300 words. Those over 300 words shall not be listed in the agenda. Proposing shareholders shall attend the regular shareholders' meeting in person, or appoint others to attend on their behalf, and participate in discussion of the proposed motion.

The Company shall notify the proposing shareholders of the handling results before the shareholders' meeting notification day, and list the motions meeting the regulations of this Article in the meeting notification. For those shareholders' motions not being listed in the agenda, the Board of Directors shall elaborate on the reason for not listing them in the agenda at the shareholders' meeting.

Article 4: For each shareholders' meeting, a shareholder may appoint a representative with a letter of proxy printed by the Company to attend the meeting on their behalf. The letter of proxy shall state the scope of authorization for the meeting.

A shareholder can issue a letter of attorney and appoint one representative only. The letter of proxy shall arrive at the Company at least five days before the shareholders' meeting. In case that there is any repetition of the letter of proxy, the first one arriving at the Company shall prevail. However, it is not limited to the situation where revocation of the prior letter of proxy is declared.

After the letter of proxy arrives at the Company, if the shareholder wishes to attend the shareholders' meeting in person, he or she shall notify the Company of the proxy revocation in writing at least two days prior to the shareholders' meeting. In case of any overdue revocation, the voting right exercised by the attending proxy shall prevail.

Article 5: The place for holding a shareholders' meeting shall be at the Company or a place convenient for shareholders to attend and suitable for holding a shareholders' meeting. The meeting time shall not be earlier than 9:00 AM or later than 3:00 PM. For the meeting place and time, independent directors' opinions shall be fully taken into account.

Article 6: The Company shall specify the shareholder check-in time and place and other precaution matters in its meeting notification.

The check-in time referred to in the preceding paragraph shall be at least 30 minutes before the meeting starts. A specific sign shall be setup at the check-in place, and adequate number of qualified personnel shall be dispatched for assistance.

Shareholders or the proxies appointed by them (hereafter referred to as shareholders) shall attend a shareholders' meeting by presenting their attendance certificate, attendance card or other attendance documents. Other than the documents required for the attendance of a shareholders' meeting, the Company shall not discretionarily request any additional documents. The shareholders who solicit letters of proxy shall bring their own ID certification documents with them for verification.

The Company shall prepare an attendance book for the shareholders attending the meeting to sign in, or otherwise the attending shareholders may submit the attendance card instead of signing in.

The Company shall hand the agenda manual, annual report, attendance certificate, speech note, voting ticket and other meeting materials to the attending shareholders. In case that the meeting involves director election, the election ballot shall be additionally attached.

For government or institutional shareholders, their meeting attending representatives are not limited to one person only. However, when an institutional shareholder is entrusted to attend a shareholders' meeting, only one representative can be appointed for attendance.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the Board of Directors. If the chairperson is on leave or cannot exercise his or her power and authority for any reason, the vice-chairperson shall chair the meeting on behalf of the chairperson. If there is no vice-chairperson or the vice-chairperson is also on leave or cannot exercise his or her power and authority for any reason, the chairperson shall appoint a standing director to act on his or her behalf. If there is no standing director, the chairperson shall appoint a director to act on his or her behalf. In case that the chairperson does not appoint any deputy, a deputy to act on behalf of the chairperson shall be elected by standing directors or directors among themselves.

The standing director or director to act on behalf of the preceding chairperson shall have served the Company as a standing director or director for more than six months, and be familiar with the Company's financial and business status. The same shall apply to the chairperson who is a representative of an institutional director.

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson, attended by a majority of the total Board directors and at least one representative of each functional committee. The attendance status shall be recorded in the shareholders' meeting minutes book. When a shareholders' meeting is convened by the convener not from the Board of Directors, the convener in question shall chair the meeting. If there are two or more than two conveners for a same meeting, the chairperson of the meeting shall be elected from among the conveners.

The Company may invite its appointed attorneys and CPA or other related personnel to attend a shareholders' meeting as a guest as the case may be.

Article 8: The Company shall record the entire proceedings of a shareholders' meeting, from shareholders' check-in, the check-in process and the course of the meeting, to the voting and vote counting process, in an audio and video format without any interruption.

The preceding audio and video data shall be retained for at least one year. However, in case of any litigation filed by a shareholder in accordance with Article 189 of the Company Act, the audio or video evidence shall be kept until closure of such litigation.

Article 9: The attendance status of a shareholders' meeting shall be calculated according to the number of the shares represented by the shareholders attending the shareholders' meeting, in which the calculation shall cover the shares indicated in the attendance book or according to the attendance cards turned in by the meeting attendants, plus the voting shares exercised in writing or in an electronic format. When it is time for a meeting, the chairperson shall immediately call the meeting to order. However, if the number of shares held by the shareholders present at the meeting has yet to constitute a majority of the total issued shares, the chairperson may announce postponement of the meeting, but the postponement of the said meeting is limited to two times only, whereas the total postponement time shall

not exceed one hour. If a meeting has been postponed for two times and the shares held by the shareholders present at the meeting are still less than one-third of the total issued shares, the chairperson may abort the meeting.

If, after preceding two times of postponement, a meeting has yet to constitute the quorum but the shareholders representing one-third of the total issued shares are present, a provisional resolution can be adopted according to Paragraph 1 of Article 175 of the Company Act, and the notice of the provisional resolution shall be served to respective shareholders for a shareholders' meeting to be convened again within one month.

Before the end of the meeting in question, if the number of the shares held by the shareholders present represents a majority of the total issued shares, the chairperson may put forward the adopted provisional resolution and request re-adoption of the resolution at the meeting in accordance with Article 174 of the Company Act.

Article 10: If a shareholders' meeting is called by the Board of Directors, the meeting agenda shall be set up by the Board of Directors, and the meeting shall be conducted according to the scheduled agenda, which shall not be changed unless resolved by the shareholders' meeting.

If a shareholders' meeting is called by any other person outside the Board of Directors who has the convening right, the preceding provision shall apply.

Without resolution, the chairperson shall not adjourn a meeting before closure of the motions (including extemporary motions) in the agenda arranged according to the preceding two paragraphs. If the chairperson violates the meeting rules by adjourning a meeting, other members of the Board of Directors may follow the legal procedure and quickly come forward to help the attending shareholders elect a chairperson by the resolution adopted by a majority of the shareholders present, and continue the meeting.

For any motions, amendments proposed by shareholders or extemporary motions, the chairperson shall allow sufficient explanation and discussion, close the discussion when he or she believes that it's time for resolution, and put them to the vote.

Article 11: Those shareholders who wish to speak in a shareholders' meeting shall first fill out a speech note stating their speech subject, their shareholder account number (or attendance card number) and their account name. The chairperson shall then decide their speech order.

Those shareholders who submit a speech note but do not actually give any speech, shall be deemed not having given any speech. In the case that the speech content is not consistent with what is stated in the speech note, the speech content shall prevail.

Unless otherwise permitted by the chairperson, a shareholder shall not speak more than two times for a same motion and each time of speech shall not exceed 5 minutes. If the speech given by any shareholder violates the aforesaid stipulation or is beyond the agenda scope, the chairperson may stop the speech.

When a shareholder is giving a speech, other shareholders shall not interrupt the speech unless otherwise obtaining the consent from the chairperson. The chairperson shall stop any violation.

If an institutional shareholder designates two or more than two representatives to

attend a shareholders' meeting, only one representative is allowed to speak for a same motion.

After the speech of a shareholder, the chairperson may respond to it on his or her own, or designate an appropriate person to respond.

Article 12: The resolution of a shareholders' meeting shall be calculated according to the voting shares.

For the resolution of a shareholders' meeting, the shares held by the shareholders without the voting right shall not be included in the total number of the issued shares.

Those shareholders who have conflict of interests with the meeting agenda, which may adversely affect the Company's interests, are not allowed to participate in any resolution. In addition, they are also not allowed to represent other shareholders to exercise their voting right.

The number of the aforesaid shares not allowed to be used to exercise the voting right shall not be included in the votes given by the attending shareholders.

Except for the trust business or the stock affairs service agency approved by the securities competent authorities, if a person is simultaneously entrusted by two or more than two shareholders, the votes represented by him or her shall not exceed 3% of the total issued shares, and the excess votes, if any, shall not be calculated.

Article 13: Each share held by a shareholder is entitled to one vote, but it is not limited to those shareholders whose voting right is restricted or the ones having no voting right as stated in Paragraph 2 of Article 179 of the Company Act.

When holding a shareholders' meeting, shareholders may exercise their voting right in a written or electronic format. When using the written or electronic format to exercise the voting right, the format shall be stated on the notification of the shareholders' meeting. Those shareholders who exercise their voting right in a written or electronic format shall be deemed to have attended the shareholders' meeting in person. However, for the extemporaneous motions and amendments to the original motions of the shareholders' meeting in question, those shareholders shall be deemed abstention in participation.

For those that exercise their voting right with the preceding written or electronic format in a meeting, their intent expression shall arrive at the Company at least two days prior to the shareholders' meeting. When there is any repetition of the intent expression, the first one arriving at the Company shall prevail. However, it is not limited to the situation where the revocation of the prior intent expression is declared. For those shareholders who wish to attend a shareholders' meeting in person after exercising their voting right in a written or electronic format, they shall revoke the aforesaid intent expression by using the same format as they used for exercising the voting right at least two days prior to the shareholders' meeting. In case of overdue revocation, the written or electronic format shall prevail for exercising the voting right. In the case that the written or electronic format is used to exercise the voting right while the shareholder also entrusted a representative with a letter of proxy to attend the shareholders' meeting, the voting right exercised by the attending representative shall prevail.

Except otherwise stated in the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. When resolving a motion, if no

objection from the shareholders present after inquired by the chairperson, the resolution shall be deemed to be adopted, and shall have the same effect as the voting made with the ballot casting method. The resolution can also be made through shareholders' ballot casting case by case after the chairperson or his or her designated personnel announce the total voting shares entitled by the attending shareholders. Also, shareholders' consent, objection and abstention results shall be posted on the Market Observation Post System.

For any amendment or replacement of a same motion, the chairperson shall decide the sequence of the resolutions by including the original motion. If any of the resolutions is adopted, the others shall be deemed to be vetoed and no future voting shall be required.

Ballot examiners and ballot counters shall be designated by the chairperson, in which the ballot examiners shall be shareholders.

Ballot calculation for a shareholders' meeting's resolution or election motion shall be publicly conducted on the site where the shareholders' meeting is held, and the voting results, including the statistical weighted voting shares, shall be announced on the spot and recorded in the meeting minutes accordingly.

Article 14: Any director election at a shareholders' meeting shall be processed in accordance with the Company's relevant election regulations, and the election results, including the director-elect list and weighted voting shares, shall be announced on the spot.

The ballots cast for the preceding election matters shall be sealed and signed by the ballot examiner and properly retained for at least one year. However, those that are involved in the litigation filed by a shareholder in accordance with Article 189 of the Company Act shall be retained until closure of such litigation.

Article 15: All matters resolved in a shareholders' meeting shall be recorded in the meeting's minutes book, which shall be signed or sealed by the chairperson and distributed to respective shareholders within 20 days after the shareholders' meeting. The production and distribution of the meeting's minutes book may be processed in an electronic form.

For distribution of the preceding meeting's minutes book, the Company may transmit the meeting's minutes book to the Market Observation Post System as the announcement method.

The items including the meeting date and place, chairperson's name, resolution method, main points of the meeting proceedings and the results, shall be literally recorded in the meeting minutes book, which shall be retained during the existence of the Company.

Article 16: The Company shall prepare a statistical list for the shares solicited by solicitors and the ones represented by the entrusted proxies, and disclose it at the meeting site on the shareholders' meeting day.

If the resolution adopted at a shareholders' meeting is regulated by law or stipulated by Taiwan Stock Exchange Corporation as material information, the Company shall transmit the content to Market Observation Post System within the regulated time limit.

Article 17: Those who work on the shareholders' meeting site for handling meeting related affairs, shall wear an ID card or arm badge.

The chairperson may direct disciplinary personnel or security personnel to

maintain order of a meeting. When maintaining order of the meeting, those disciplinary personnel and security personnel shall wear a badge or ID card bearing the words of “disciplinary personnel”.

At a meeting site equipped with the public address system, the chairperson may stop any speech made by the shareholder who does not use the public address system provided by the Company.

For those shareholders who violate the meeting rules, disobey the correction from the chairperson, obstruct the meeting proceedings and ignore the prohibition, the chairperson may have the disciplinary personnel or security personnel ask them to leave the meeting site.

Article 18: During a meeting, the chairperson may announce recess at the time he or she considers appropriate. In case of force majeure, the chairperson may decide to temporarily suspend the meeting, and announce the time of meeting resumption depending on the situation.

Before closure of the motions (including extemporary motions) set in the agenda of a shareholders’ meeting, if the meeting place cannot continue to be used, the Board of Shareholders shall resolve to find another place for continuation of the meeting.

According to Article 182 of the Company Act, the Board of Shareholders may resolve to postpone a meeting and have it held within five days or continue the meeting.

Article 19: The Rules shall be implemented after adoption by the Board of Shareholders. The same shall apply in case of any revision.

Appendix 2 : Articles of Incorporation

Articles of Incorporation Excelsior Medical Co., Ltd.

Amended in the regular shareholders' meeting held on June 16, 2017

Chapter 1 General Provisions

- Article 1 The name of the Company is Excelsior Medical Co., Ltd., which is incorporated pursuant to the Company Act.
- Article 2 The businesses engaged by the Company are as follows:
1. F108031 Wholesale of Drugs, Medical Goods
 2. F113010 Wholesale of Machinery
 3. F113020 Wholesale of Household Appliance
 4. F107080 Wholesale of Environment Medicines
 5. F113030 Wholesale of Precision Instruments
 6. F113050 Wholesale of Computing and Business Machinery Equipment
 7. F113070 Wholesale of Telecom Instruments
 8. F117010 Wholesale of Fire Fighting Equipment
 9. F118010 Wholesale of Computer Software
 10. F401010 International Trade
 11. I301010 Software Design Services
 12. CB01030 Pollution Controlling Equipment Manufacturing
 13. F113100 Wholesale of Pollution Controlling Equipment
 14. F213100 Retail Sale of Pollution Controlling Equipment
 15. F108021 Wholesale of Drugs and Medicines
 16. H703100 Real Estate Rental and Leasing
 17. JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops
 18. IF01010 Fire Fighting Equipment Overhauling
 19. JA02990 Other Repair Shops
 20. JE01010 Rental and Leasing Business
 21. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
 22. F208040 Retail Sale of Cosmetics
 23. C802041 Drugs and Medicines Manufacturing
 24. C802060 Animal Use Medicine Manufacturing
 25. C802100 Cosmetics Manufacturing
 26. CF01011 Medical Materials and Equipment Manufacturing
 27. F208031 Retail sale of Medical Equipments
 28. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may externally provide guarantee as required by business needs.
- Article 4 If the Company is a limited liability shareholder of another company, its total investment amount shall be free from the restriction of not exceeding 40% of its paid-in capital as prescribed by Article 13 of the Company Act.

Chapter 2 Shares

- Article 5 The Company's headquarters is located in New Taipei City, and, as resolved by the Board of Directors, it may establish branch sales stores, business offices and other types of branch offices in the Republic of China or foreign countries, as necessary.
- Article 6 The Company's total capital is two billion NT dollars, which is divided into two hundred million shares with a face value of ten NT dollars per share. For the unissued shares, the Board of Directors is authorized to issue them in installments as required by business needs. Out of the preceding total capital, one hundred million NT dollars is reserved for exercise of the warrants covering employee stock option warrants, corporate bonds with warrants and preferred shares with warrants, which may be issued in installments.
- Article 6-1 The subscription price of employee stock option warrants issued by the Company is free from the restriction of relevant laws and regulations. However, it shall be adopted by more than two-thirds of the votes of the shareholders who are present at the meeting and represent a majority of the total issued shares, and declared in installments within one year after the shareholders' meeting resolution day.
- Article 6-2 The Company may repurchase its treasury stock and transfer it to its employees at a price lower than the average repurchase price. However, it shall be adopted by more than two-thirds of the votes of the shareholders who are present at the latest shareholders' meeting and represent a majority of the total issued shares, and the implementation shall be made in accordance with relevant laws and regulations.
- Article 7 The Company's stock is registered shares, which shall be affixed with the signature or seal of more than three directors and issued after certification by law. The stock shall be produced in accordance with Article 162 of the Company Act. When issuing new shares, such new shares may be exempt from printing share certificates, but shall be registered with the Centralized Securities Depository Enterprise.
- Article 8 The Company shall commission its stock affairs to a stock affairs service agency. Unless otherwise prescribed by laws and regulations and the Articles of Incorporation, it shall be processed in accordance with the "Regulations Governing the Administration of Shareholders Services of Public Companies" promulgated by the competent authorities.
- Article 9 If the stock is transferred, or re-issued due to loss, the Company may collect a service fee and revenue stamps shall be affixed.
- Article 10 Any change of the records in the shareholders list shall be suspended within 60 days prior to a regular shareholders' meeting, 30 days prior to a special shareholders' meeting or 5 days prior to the base day determined by the Company for dividend/bonus or other benefit distribution.

Chapter 3 Shareholders' Meetings

- Article 11 The Company's shareholders' meetings come in two types: regular shareholders' meetings and special shareholders' meeting. A regular shareholders' meeting shall be convened by the Board of Directors by law and held within six months after the end of each fiscal year, whereas a special shareholders' meeting shall be convened whenever necessary. If agreed by the counterparty, the notification of a shareholders' meeting can be made via e-mail. For those shareholders who hold less than 1,000 shares of the Company's stock, the Company may notify them via announcement.

- Article 12 If a shareholder cannot attend a shareholders' meeting for any reason, he or she may appoint a proxy to attend the meeting on behalf of him or her in accordance with Article 177 of the Company Act, Paragraph 1 of Article 25-1 of the Securities and Exchange Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".
- Article 13 For the Company's shareholders, each share is entitled to one vote, but it is not limited to those that are restricted or have no voting right as listed in Paragraph 2 of Article 179 of the Company Act.
- Article 14 Unless otherwise prescribed by the Company Act or stated by relevant laws and regulations, a resolution of a shareholders' meeting shall be adopted by a majority vote of the shareholders present at the meeting and represent more than half of the total number of the issued shares, before implementation.
- Article 15 All of the matters resolved in a shareholders' meeting shall be recorded in the meeting minutes book which shall be signed or sealed by the chairperson and distributed to respective shareholders within 20 days after the meeting. The production and distribution of the meeting minutes book may be processed in an electronic form. The Company may also distribute the meeting minutes book via announcement. The meeting minutes book, attending shareholders' attendance book and the letters of proxies shall be retained in the Company according to the laws and regulations.
- Article 15-1 In case that the Company plans to revoke its public offering plan, it shall put it forth to the Board of Shareholders for resolution, and shall remain unchanged during the listing period.

Chapter 4 Directors and managerial officers

- Article 16 The Company shall have nine to eleven directors and at least three independent directors with a term of three years. They shall be elected from those who have behavioral capacity in the Board of Shareholders and are eligible for re-election. The number of directors shall be determined by the Board meeting. The candidate nomination system shall be adopted for the election of the Company's directors and independent directors, in which shareholders shall elect directors and independent directors according to the lists of director candidates. In case that a director cannot be present at a meeting for any reason, he or she shall appoint another director by law to attend the meeting on his or her behalf. The total shareholding ratio of the entire body of the Company's directors shall be processed in accordance with the regulations set up by the securities management competent authorities. The matters regarding independent directors' professional qualifications, shareholdings, restrictions on holding of concurrent positions, nomination, election method and other matters required to be followed shall be processed in accordance with the relevant regulations stipulated by the securities competent authorities.
- Article 16-1 According to Article 14-4 of the Securities and Exchange Act, the Company shall set up an audit committee. The audit committee shall be constituted by the entire body of independent directors, and the number of its members shall not be less than three, in which one of them shall be the convener and at least one of them shall be equipped with accounting or financial expertise. The audit committee or its members shall be responsible for exercising a supervisor's power and authority

as required by the Company Act, Securities and Exchange Act and other relevant laws and regulations.

- Article 17 The Board of Directors is constituted by directors; a chairperson or a vice-chairperson shall be elected from among directors by passing a majority vote of the directors who are present at the meeting and represent more than two-thirds of the total directors. The chairperson shall externally represent the Company, and his or her rights shall be subject to laws, regulations, the Company's Article of Incorporation, and the resolutions adopted by the Board of Shareholders and the Board of Directors.
- Article 17-1 The notification of convening a Board meeting shall be sent to respective directors at least seven days prior to the meeting. However, in case of any emergency, the Company may convene a Board meeting at any time. The Company may convene its Board meeting by means of a written notice, e-mail or facsimile.
- Article 18 The functions and authorities of the Board of Directors are as follows:
1. Determine the Company's business directions.
 2. Review budgets and settlements of final accounts.
 3. Draft plans for profits distribution and loss recovering.
 4. Lay down the capital increase or decrease plan.
 5. Other authorities granted by statutory laws and regulations and the Board of Shareholders.
- Article 19 Unless otherwise prescribed by the Company Act, any of the resolutions of the Board of Directors shall be adopted by a majority of the directors who are present at the meeting and represent a majority of the entire body of directors before implementation. All of the resolution matters shall be recorded in the meeting minutes which shall be signed or sealed by the chairperson and retained in the Company.
- Article 20 In case that the chairperson is on leave or cannot exercise his or her power and authority for any reason, a deputy shall be selected in accordance with Paragraph 3 of Article 208 of the Company Act. If the Board of Directors adopts a video meeting, those directors who attend the video meeting shall be deemed to have attended the meeting in person.
- Article 21 According to the resolution adopted by the Board of Directors, the Company shall have a general chief executive officer in charge of the business operation and operating policies for the Company and all of its associates and joint ventures. In addition, the Company may also have a general manger and several deputy general managers, and their appointment, dismissal and remuneration shall be processed in accordance with Article 29 of the Company Act.
- Article 22 The Company shall pay a transportation allowance fee to its directors for their attendance of the meetings of the Board of Directors. The Company shall pay remuneration to its directors for their duty execution regardless of gain or loss of the Company's business. The Board of Directors shall be authorized to determine the remuneration according to the status of a director's duty execution and by referring to the practice of the peer group.
- Article 22-1 The Company shall authorize its Board of Directors to purchase liability insurance for its directors within their term of office and according to their duty execution

scope.

Article 22-2 The salaries, remuneration and transportation allowance fees of directors shall be reviewed by the remuneration committee.

Chapter 5 Accounting

Article 23 The Company's fiscal year is from January 1 to December 31, and the financial statements shall be processed at the end of each fiscal year.

Article 24 At the end of each fiscal year, the Company's Board of Directors shall prepare (1) the business report (2) the financial statements (3) the proposal of profits distribution or loss recovering, and submit the statements and documents above to the audit committee for examination, to the Board of Directors for approval, and finally to the regular shareholders' meeting for acknowledgement.

Article 25 If the Company has any annual profit (referring to the net profit before deducting employee compensation and director remuneration from before-tax profit), it shall allocate an amount no less than 1% for employee compensation and no more than 5% as director remuneration. However, in the circumstance where the Company has accumulated loss (including adjustment of undistributed earnings), an allowance for the loss shall be set aside in advance.

The preceding employee compensation shall be distributed by stock or cash, and the recipients shall cover the employees of the subordinate companies meeting the terms set up by the Board of Directors. The preceding director remuneration shall be paid by cash only.

The preceding two issues shall be resolved by the Board of Directors, and reported to the Board of Shareholders.

Prior to the Company setting up its audit committee, the supervisor's remuneration shall be included in the director's remuneration, which shall be distributed with an amount no more than 5% of the Company's annual profit and subject to this Article.

Article 25-1 If the Company has any current period after-tax profit left in its financial statements, it shall first use the profit to cover accumulated loss (including adjustment of undistributed earnings), followed by setting 10% aside as the legal reserve. However, it is not limited to the situation where the legal reserve already reaches the Company's total paid-in capital. Furthermore, a special reserve shall be allocated or reversed in accordance with statutory laws and regulations or competent authorities' stipulations. Afterwards, the Board of Directors shall draft a profits distribution proposal for the remaining earnings along with the beginning undistributed earnings (including adjustment of undistributed earnings) and put it forth to the shareholders' meeting for resolution of shareholder dividend and bonus distribution.

Chapter 6 Supplementary Provisions

Article 26 The Company sets up its dividend policy in conjunction with its current and future development plan and by taking the investment environment, capital requirements and local and foreign competition status into account, whereas the Company also concurrently considers shareholders' interests. With which, after recovering its accumulated loss (including adjustment of undistributed earnings) from the current year after-tax profit and setting aside a 10% legal reserve, the Company shall

allocate an amount no less than 20% of the remaining amount for the shareholder dividend and bonus. The shareholder dividend and bonus can be distributed by either cash or stock, in which the cash dividend shall be no less than 20% of the total dividend amount.

Article 27 Other matters not covered by the Articles of Incorporation shall be subject to the Company Act.

Article 29 The Articles of Incorporation was instituted on January 27, 1988

1st revision was made on June 28, 1988

2nd revision was made on March 23, 1989

3rd revision was made on March 7, 1990

4th revision was made on March 15, 1991

5th revision was made on May 15, 1991

6th revision was made on September 18, 1991

7th revision was made on September 18, 1993

8th revision was made on December 1, 1994

9th revision was made on January 11, 1997

10th revision was made on February 4, 1997

11th revision was made on April 21, 1997

12th revision was made on April 11, 1998

13th revision was made on May 15, 1998

14th revision was made on April 20, 1999

15th revision was made on June 16, 2000

16th revision was made on April 30, 2001

17th revision was made on November 12, 2001

18th revision was made on May 20, 2002

19th revision was made on March 31, 2003

20th revision was made on May 31, 2004

21st revision was made on June 17, 2005

22nd revision was made on June 14, 2006

23rd revision was made on June 15, 2007; however, the amended articles of Articles 6-1 and 6-2 regarding the expensing of employee bonus shall become effective from the date of announcement by the competent authorities (January 1, 2008).

24th revision was made on October 12, 2007

25th revision was made on June 13, 2008

26th revision was made on June 10, 2009

27th revision was made on June 10, 2009

28th revision was made on June 15, 2010

29th revision was made on June 15, 2011

30th revision was made on June 18, 2012

31st revision was made on June 14, 2013

32nd revision was made on June 24, 2014

33rd revision was made on June 16, 2016

34rd revision was made on June 16, 2017

Appendix 3 : Business Report

Business Report

Dear Shareholders:

First of all, I would like to thank you for sparing the time to attend the Company's annual shareholders' meeting. It allows our management team to elaborate on our 2017 business performance and the outlook, in person. I hereby represent our management team and the entire staff to express our sincere welcome to you. Your opinions and comments will be highly appreciated.

The Company is a large medical product system integrated distributor in the country. The business attribute compared with other industry is less affected by economic changes. The international financial situation is affected by the public declaration of abandoning strong dollar policy by the President of the United States in 2017, while The Fed adopts passive strategy of interest rate raise causing dramatic appreciation of New Taiwan Dollar. It dramatically reduced in imported product cost raised the gross margin and enhanced the competition of the sales, creating a favourable opportunity to proactively evaluate and expand the overseas Chinese market to maintain future competitive advantages.

Looking forward to 2018, the Company and the investing related company will continue to develop diversely, including hemodialysis equipment and consumable, health home appliance, aesthetic medicine Picoway laser, Ulthera ultrasonic, Viveve system, Hyadermis hyaluronic acid subcutaneous implant, and promotion of DR CYJ hair-growth brand products and its distributors. We will commit to deepen the collaboration with international pharmaceutical factory in pharma logistics and keep introducing new medicine and dietary supplement, strengthen the collaboration and interaction with the Chinese medicine pharmaceutical vendor and improve the scale of professional pharma logistics service. In the long-term care system, with the government's ten-year long-term care program, combine medical, care taker, and home care services to provide multiple and appropriate care services, expand the long-term care service locations in order to meet the needs of the ageing society.

The Company's 2017 operating results and 2018 business plan are reported as follows:

I. Report on the 2017 operating results

1. Implementation outcome of the business plan

(1) Individual statement of comprehensive income

- i. Gross profit and operating income increased due to the growth of operating revenue this year. Gross profit increased due to appreciation of New Taiwan Dollar this year.
- ii. Non-operating income decreased due to gain on disposal of the property, profit of the subsidiaries, associates and joint ventures recognized under the equity method decreased this year.
- iii. Other comprehensive loss is less than last year and total comprehensive income is more than last year are caused by unrealized evaluation loss of the available for sale financial assets decreased this year.

Unit: thousand NT dollars

Item	2017	2016	Increase (decrease) percentage
Operating revenue	3,561,288	3,404,487	4.61%
Gross profit	619,761	474,765	30.54%
Profit from operations	267,803	165,028	62.28%
Non-operating income and expenses	181,470	274,377	(33.86%)
Profit before income tax	449,273	439,405	2.25%
Net profit after tax	399,047	389,557	2.44%
Other comprehensive income (loss)	(154,841)	(207,098)	25.23%
Total comprehensive income	244,206	182,459	33.84%

(2) Consolidated statement of comprehensive income

- i. Operating income increased due to gross profit increased with appreciation of New Taiwan Dollar this year, as well as good control in operating expenses this year.
- ii. Non-operating income is less than last year due to gain on disposal of the property decreased and increase in foreign currency exchange loss this year.
- iii. Other comprehensive loss is less than last year and total comprehensive income is more than last year are caused by unrealized evaluation loss of the available for sale financial assets decreased this year.

Unit: thousand NT dollars

Item	2017	2016	Increase (decrease) percentage
Operating revenue	6,095,337	6,205,758	(1.78%)
Gross profit	1,206,298	1,196,720	0.80%
Profit from operations	452,562	379,496	19.25%
Non-operating income and expenses	101,675	199,118	(48.94%)
Profit before income tax	554,237	578,614	(4.21%)
Net profit after tax	471,008	477,302	(1.32%)
Other comprehensive income (loss)	(177,740)	(247,902)	28.30%
Total comprehensive income	293,268	229,400	27.84%

2. Status of budget implementation: this is not applicable since the Company did not prepare any financial forecast.

3. Status of financial revenue and expense

(1) Individual statement of cash flows

Unit: thousand NT dollars

Item	2017	Description
Beginning cash balance	1,053,320	The balance of the 2016 final account.
Net cash generated from operating activities	14,247	Mainly resulting from the operation profit of 2017 and decrease in accounts payable.
Net cash used in investment activities	(24,952)	Mainly resulting from increase of investment under the equity method
Net cash used in financing activities	(319,067)	Mainly resulting from dividends distribution.
Cash balance at the end of the year	723,548	The balance of the 2017 final account.

(2) Consolidated statement of cash flows

Unit: thousand NT dollars

Item	2017	Description
Beginning cash balance	2,876,766	The balance of the 2016 final account.
Net cash used in from operating activities	(487,388)	Mainly resulting from the operation profit of 2017 and decrease in other payables.
Net cash generated investment activities	425,970	Mainly resulting from decrease in other financial assets.
Net cash used in financing activities	(303,205)	Mainly resulting from dividend distribution and acquisition the shares of the subsidiaries.
Impact of changes in exchange rates	(38,251)	Effect of Exchange rate
Cash balance at the end of the year	2,473,892	The balance of the 2017 final account.

4. Analysis and comparison of profitability

(1) Analysis of individual profitability

Item	2017	2016	Description
Return on assets (%)	5.1	5.0	The growth of 2017 operating revenue and gross profit is increased due to appreciation of New Taiwan Dollar. But, non-operating income decreased due to gain on disposal of the property decreased, profit of the subsidiaries, associated and joint ventures under the equity method decreased, causing slightly increase in net income after tax.
Return on equity(%)	6.2	6.0	The growth of 2017 operating revenue and gross profit is increased due to appreciation of New Taiwan Dollar. But, non-operating income decreased due to gain on disposal of the property decreased, profit of the subsidiaries, associated and joint ventures under the equity method decreased, causing slightly increase in net income after tax.
Ratio of before-tax profit to the paid-in capital(%)	35.2	34.4	The growth of 2017 operating revenue and gross profit is increased due to appreciation of New Taiwan Dollar. But, non-operating income decreased due to gain on disposal of the property decreased, profit of the subsidiaries, associated and joint ventures under the equity method decreased ,causing slightly increase in net income before tax.
Net profit margin (%)	11.2	11.4	The growth of 2017 operating revenue and gross profit is increased due to appreciation of New Taiwan Dollar. But, non-operating income decreased due to gain on disposal of the property decreased, profit of the subsidiaries, associated and joint ventures under the equity method decreased , causing slightly decrease in net profit margin.
Basic after-tax earnings per share (NT\$) (note)	3.12	3.09	The growth of 2017 operating revenue and gross profit is increased due to appreciation of New Taiwan Dollar. But, non-operating income decreased due to gain on disposal of the property decreased, profit of the subsidiaries, associated and joint ventures under the equity method decreased , causing slightly increase in net income after tax

Note: analysis made according to the net profit after tax with weighted-average shares outstanding.

2. Analysis of consolidated profitability

Item	2017	2016	Description
Return on assets (%)	3.1	3.1	Resulting from 2017 gross profit increase because of the appreciation of New Taiwan Dollar, as well as good control in operating expenses. But non-operating income decrease due to gain on disposal of the property decreased and increase in foreign currency exchange loss, causing decrease in net income after-tax. Total assets decrease due to decrease in other receivables. Therefore, the return on assets ratio is similar between 2016 and 2017.
Return on equity (%)	5.8	5.8	Resulting from 2017 gross profit increase because of the appreciation of New Taiwan Dollar, as well as good control in operating expenses. But non-operating income decrease due to gain on disposal of the property decreased and increase in foreign currency exchange loss, causing decrease in net income after-tax. Stockholder's equity decrease due to the exchange differences on translation. Therefore, the return on equity rate is similar between 2016 and 2017.
Ratio of before-tax profit to the paid-in capital (%)	43.4	45.3	Resulting from 2017 gross profit increase because of the appreciation of New Taiwan Dollar, as well as good control in operating expenses. But non-operating income decrease due to gain on disposal of the property decreased and increase in foreign currency exchange loss, causing decrease in net income after-tax. The stock increased due to the convertible bond being converted into common stock. Therefore, the ratio of before-tax profit to the paid-in capital is decreased in 2017.
Net profit margin (%)	7.7	7.7	Resulting from 2017 gross profit increase because of the appreciation of New Taiwan Dollar, as well as good control in operating expenses. But non-operating income decrease due to gain on disposal of the property decreased and increase in foreign currency exchange loss, causing decrease in net income after-tax. Further, slightly decrease in operating revenue in subsidiaries, the net profit margin rate is similar between 2016 and 2017.

Item	2017	2016	Description
Basic after-tax earnings per share (NT\$) (note)	3.12	3.09	Resulting from 2017 gross profit increase with appreciation of New Taiwan Dollar, as well as good control in operating expenses. Non-operating income decreased due to gain on disposal of the property decreased and increase in foreign currency exchange loss, causing increase in profit attributable to owners of parent.

Note: analysis made according to the net profit after tax with weighted-average shares outstanding.

5. R&D status

As the Company is not in the manufacturing industry, it has not set up a dedicated R&D division. Instead, its respective business divisions are responsible for expanding the business scopes through agencies and sales distributors of medical care-related sectors.

II. The 2018 business plan

1. Management guidelines

- (1) Reinforce investment deployment: Richly cultivating Taiwan medical market and proactively seeking medical business partner. Extend profit sources by investing in integrate full range sources in the medical market and developing more distributor, while paying attention to China's investment in aesthetic medicine and the expansion of the South East Asia market.
- (2) Brand strategy: Promote the privately-owned brand of the "ULTRACLEAN" Series of healthy home appliances, and cooperate with Korean leading bio-tech manufacturer, Caregen Co., Ltd. (hereafter referred to as "Caregen") to promote DR CYJ hair-growth brand products.
- (3) Focus on the long-term care service market: Cooperate with the ten-year long-term care program, providing multiple and appropriate care services. Expand the long-term care service locations in order to meet the needs.
- (4) Establish medical real estate: Combine the advantageous resources of Shinkong Excelsior Management Co. Ltd. to jointly develop the real estate deployment related to healthcare industries.
- (5) Hedge currency risk: Reduce the currency risk by using foreign currency hedge instruments in the environment where the global stock and forex markets are facing

critical volatility.

2. Expected sales of major products

In 2018, Excelsior Healthcare Group will put its development focus on dialysis, medical products, aesthetic medicine, pharmaceutical drugs, long-term care medical real estate, healthy home appliances, and the Southeast Asian market. In addition to integrating the Group's resources to provide the public with well-rounded professional services, the Company will actively seek any opportunities to cooperate with varying businesses domestically and overseas.

III. Future corporate development strategies

The adverse impact of climate change caused by global warming is quickly approaching. In the face of severe challenges, including food crisis, food safety, air pollution, etc., public health and wellbeing have become the core contents of corporate social responsibility. On the basis of the medical products currently represented by the Company, as well as the healthy home appliances, the Company has actively sought to represent more peripheral products. It is hoped that by launching the privately-owned brand "ULTRACLEAN" healthy home appliances, such as air purifiers, VF energy-saving fans, and soy milk makers, the Company will be able to fulfill its social responsibility for global sustainable development, public health and wellbeing.

The Company has invested in Dynamic Medical Technologies Inc. (4138.TW), which has mainly engaged in the businesses such as trading and maintenance of domestic aesthetic medical laser equipment, injection filler and aesthetic medical care products. After being listed on the OTC market, it has expanded its business deployment to cover Taiwan, Hong Kong and China, aggressively developed its products and won over the authorities of product agencies in various regions, with defined beauty as its goal for sustainable endeavors. The subsequent sales force of Dynamic Medical will be placed on the Picoway laser, Ulthera ultrasound, Fotona 4D lift, Hyadermis hyaluronic acid subcutaneous implant、Viveve system、Fotona laser-G and DR CYJ hair growth products.

The Company has also invested in Arich Enterprise Co., Ltd. (4173.TW), which has engaged in businesses such as domestic pharmaceutical sales and logistics. As Arich Enterprise will aggressively seek cooperation with original manufacturers to strengthen the operation of the GDP transport and fleet management and expand its drug distribution logistics. At the same time, it will cooperate with international pharmaceutical factory to continuously develop and introduce new products related to medical care and nursing care series, so as to reinforce Arich Enterprise's interaction with customers and provide

well-rounded professional services.

The Company has invested in Asia Best Healthcare (ABH) Company. Besides constructing hardware equipment, such as high-end nursing homes, medical affairs management and care industry exhibition and training centers, the invested company also offers multi-dimensional group activities in an attempt to provide the elderly with more mental care, in addition to physical care. In response to the ten-year long-term care program, providing multiple and appropriate care services for those in need. Actively expanding the long-term care service locations, becoming the best healthcare medical company in Asia.

The Company has invested in Shinkong Excelsior Asset Management Co., Ltd. It is jointly established by Shinkong International Leasing Co., Ltd. and the Company. The former has expertise in the sector of real estate leasing and trading, while the Company has the capacity to expand the healthcare-related industries. The combination of both parties' advantageous resources will facilitate the real estate deployment of healthcare-related industries.

The Company has invested in EG Healthcare Inc, which has richly cultivated in Phillipine area for nearly 14 years. Expanding local hemodialysis business and related medical product, also provides management consultant and healthcare education training to improve the service quality in medical treatment. It has successfully duplicated the abundant professional experience of operating the haemodialysis team. Established the competitive advantage in the haemodialysis industry in the South East Asia.

In view of the global ageing trend and the growth of minimally invasive surgery, the Company invested in Baui Biotech Co., Ltd. in 2017. It is a company equipped with the exclusive capacity for developing the minimally invasive spinal fixation system, which has garnered a number of patents. The purpose of the investment is to combine the strength that Excelsior has accumulated from its many years of efforts to profoundly cultivate the medical device market and work hand-in-hand with Baui Biotech to develop the high-end medical device brands.

IV. Effect of the external competitive environment, legal environment and overall business environment

As indicated in the IEK research report issued by the Industrial Technology Research Institute, the population aged 65 and over is going to be at its peak between 2011 and 2029. Also, as published by the Council for Economic Planning and Development,

Executive Yuan, elderly population is over 7% in the total population in Taiwan in 1993, which entered the stage of ageing society as defined by World Health Organization (WHO). According to the data announced by the Ministry of the Interior, as of the end of 2017, Taiwan's population aged 65 or more reached 3,268,013, having increased by 161,908 persons compared to the end of 2016, and accounting for 13.86% of the total population of 23,571,227 persons. It is estimated that by 2019, the elderly population will account for about 14%, in an aging society; by 2026, the elderly population will surge to 20%, marking the arrival of a hyper-aged society. The rapid rise of the elderly population has forced those who are middle-aged to seriously face their parents' and their own retirement lives. Thus, early planning for elderly health care has turned out to be a critical issue.

Taiwan's government has successively promoted the "Ten-year Long-term Care Program", "Long-term Care Service Network Program" and "Long-term Care Capacity Enhancement Plan" in recent years in order to facilitate the development of long-term care-related resources, improve service quality and efficiency, enrich and balance the services and manpower in constructing a comprehensive long-term care system in different phases. In response to the government policy, providing multiple and appropriate care services for those in need and reinforcing long-term care personnel's training and certification, strengthening the popularity and localization of long-term care services and elevated the long-term care service quality.

Under such circumstances, the Company will put its future development focus in the beauty business as well as the related markets for elderly care and chronic diseases. To this end, the intact healthcare system integrated by Excelsior Medical's Groups will continue to wield Excelsior Medical's spirit of "dedication, initiative, innovation and forward-thinking" to provide the health care industry with well-rounded health services.

Finally, we wish you and your family good health and happiness!

Fu Hui-Tung, Chairperson



Kao Shen, General Manager



Chou Cheng-Hsiao, Accounting Chief



Appendix 4 : Audit Committee's Review Report

Excelsior Medical Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Excelsior Medical Co., Ltd. Financial Statements and has issued an audit report relating to the Financial Statements.

The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Excelsior Medical Co., Ltd.. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

For your adoption.

To

The 2018 Annual Shareholders' Meeting

Excelsior Medical Co., Ltd.

Chairman of the Audit Committee: Chan Tzu-Sheng

March 27, 2018

Appendix 5 : Regulations Governing Procedure for Board of Directors Meetings

Excelsior Medical Co., Ltd. **Regulations Governing Procedure for Board of Directors Meetings**

Amended in the Board of Directors' meeting held on December 06, 2017

- Article 1 : To establish a good governance system, supervision capabilities and management mechanism of the Company's Board of Directors, these regulations are established to follow in accordance with Article 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".
- Article 2 : The Company's Board meetings shall be convened at least quarterly. A notice of the reason for convening a Board meeting shall be given to each Director seven days before the meeting day; but may be held at anytime in case of urgent circumstances. An electronic form of notice may be sent under the preceding paragraph . The matters described under Paragraph 1, Article 15 of this regulation shall be set out in the meeting notice and may not be raised by an extraordinary motion, except in an emergency or for valid reason.
- Article 3 : The Company's Board meetings shall be convened by the Chairman of the Board, who shall act as chairman of the meeting. However, the first Board meeting of each term after an election of Directors shall be convened by the Director who received the highest number of votes from the shareholder's meeting, who will act as the chairman of the meeting. In the event that there is more than one Director who has the power to convene such meeting, they shall decide by themselves as to who shall act as the chairman of the meeting.
- In the case that the Chairman of the Board is unable to perform his or her duty due to absence or other reason, the Vice Chairman shall be the deputy. If there is no Vice Chairman or he or she is unable to perform his or her duty due to absence or other reason, a Executive Director shall be appointed by the Chairman. If there is no Executive Director, a Director shall be appointed. If no such designation is made by the chairman, Executive Director or Directors shall select one person from among themselves to serve as chair.
- Article 4 : When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.
- Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with this Corporation's articles of incorporation. Attendance by videoconference will be deemed attendance in person.
- A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 5 : By the Article 20 in the Company Rule, if a videoconference is called for a Board meeting, the Directors attend via videoconference is deemed to be attendance in person.

Article 6 : The Board meeting shall be held during office hours, and the venue shall be in the local area of the office or convenient for Directors' attendance and shall be a suitable time and place to hold a Board meeting. The Board may invite Supervisors to attend the meeting and state his or her opinion, but should not participate in voting.

Article 7 : When the Board meeting is convened, the General Manager's Office shall prepare relevant information for Directors' reference. Personnel of the relevant departments or subsidiaries may attend the meeting depends on the content of the meeting. Accountants, lawyers or other professionals may be invited to attend the meeting to make statements when necessary, but shall leave the meeting when discussion or voting take place. A meeting shall be called to order by the Chairman when the scheduled meeting time is up and the majority of the Directors are present. If half of the Directors are not present at the schedule meeting time, the chairman may announce the postponement of the meeting no more than twice. If the number of the Directors still not reach the standard after the second postponement, the Chairman may convene a new meeting in accordance with the procedure under Paragraph 2, Article 2.

The "All Directors" referred in the previous Article and under Subparagraph 2, Paragraph 2, Article 16 is refer to the actual number of persons current onboard.

Article 8 : The Chairman may declare an end to discussion of a proposal if he or she thinks it's ready for a vote and may have the proposal vote.

The resolution shall be approved when the Chairman consult the opinion of the Directors present at the meeting and no objection is raised. If a objection is raised, shall be set out to vote.

Voting shall be perform with one of the following methods. If a objection is raised for the method, the decision shall be made according to a majority vote.

- i. Vote by show of hands or voting machine.
- ii. Vote by roll-call.
- iii. Vote by ballots.
- iv. Other voting method provided by the Board.

"Directors present at the meeting" referred in Paragraph 2 does not include Directors who may not exercise their voting rights stated under Paragraph 1, Article 10.

Article 9 : The meeting shall be proceeded with the agenda listed in the meeting notice;

however, it may be changed if obtain approval by over half of the Directors present at the meeting.

The Chairman shall not initiate a meeting to adjourn unless obtain approval by over half of the Directors present at the meeting.

During the Board meeting, if the number of Directors present at the meeting is no more than half of the Directors attending the meeting, upon a motion being proposed by a Director present in the meeting, the Chairman shall declare suspension of the meeting and rules under Paragraph 3, Article 7 may apply.

Article 10 : For the proposals, if a Director or the legal person he or she represents is an interested party, the Director shall explain the importance of his or her interest at the Board meeting. If it's detrimental to the interest of the Company, the Director may state his or her opinion but shall not participate in the discussion and voting. The Director shall not be present when discussion and voting take place and cannot vote on behalf of other Directors.

By the proposal of the Board, for those Directors without voting rights stated in previous paragraph, shall refer to rules under Paragraph 3, Article 206 of the Company Law, that Paragraph 2, Article 180 may apply.

Article 11 : By the proposal of the Board, unless stated in the Securities Exchange Act and Company Law, over half of the Directors shall present in the meeting and obtain approval by half of the presenting Directors.

In the case of an amendment or substitute of a proposal, the Chairman shall decide the voting order with the original proposal. However, if one of the proposal is approved, the others shall be over-ruled and no need to vote again.

If a vote on a proposal requires monitoring and counting personnel, the Chairman shall appoint such personnel. Monitoring personnel shall be appointed within the Directors.

Results of the votes shall be recorded and announced on the spot.

Article 12 : The General Manager's Office is the assigned unit to handle administrative matters of the Board meeting. The unit shall draft the meeting agenda of the Board meeting and provide sufficient meeting related information and sent with the meeting notice. If the Board considers the information is not sufficient, shall request further information from the unit. If the Board considers the meeting agenda is not sufficient, the meeting may be postponed with the approval of the Board.

Article 13 : Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the

end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of this Corporation.

Article 14 : The agenda of the regular Board meeting shall include at least the following:

1. Matters to be reported:
 - i. Meeting minutes from the last meeting and execution status.
 - ii. Important financial and business reports.
 - iii. Internal audit report.
 - iv. Other important issue.
2. Discussion:
 - i. Items for continued discussion from the last meeting.
 - ii. Items for discussion at this meeting.
3. Extraordinary motions

Article 15 : The Following issues shall be proposed for discussion in the Board meeting:

1. Company's Business Plan
2. Annual Financial Reports and quarterly reviewed Financial Reports.
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a

single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

Within a one-year period in previous subparagraph is based on the date of this Board meeting, counting back one-year period. For those donations approved in previous meeting may not be included.

At least one independent Director shall attend the meeting in person. For the proposal in the Board meeting in subparagraph 1, shall have all independent Directors attending. If an independent Directors cannot attend the meeting in person, shall appoint other independent Director as deputy. If a independent Director have have objections or reservations, shall record in the Board's meeting minute. if an independent Director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

If the Board do not accept or amend the from the Remuneration Committee advise, over two thirds of the Board Directors shall attend the meeting and over half of the presenting Directors shall agree. Then shall decide based on the considerations and explanation that whether remuneration is better than the advise which given by the Remuneration Committee.

If the Remuneration approved by the Board is better than the advise which given by the Remuneration Committee, shall be not only recorded the difference and the reason in the meeting minutes but also publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the approval date of the meeting.

Article 16 : The Board meeting shall have meeting minutes with specific matters as below:

1. The meeting session (or year) and the time and place of meeting.
2. Name of the Chairman.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Discussion: the resolutions of the proposals; summary of the comments made by Directors, experts, supervisors, and others; the name of any Director that is an interested party as referred to in paragraph 1 Article 10; the explanation of the important aspects of the interest, the reasons why for abstain or not, and whether

the Director has abstained; objections or reservations with records or written statements; and written opinions issued by independent Directors in accordance with Paragraph 4, Article 15 .

8. Extraordinary Motions: Name of the person submitting a proposal; how a proposal is resolved and the resolution; summary statement by Directors, supervisors, experts and others; name of any Director that is an interested party as referred to in paragraph 1 Article 10; the explanation of the important aspects of the interest, the reasons why for abstain or not, and whether the Director has abstained; objections or reservations with records or written statements.

9. Other Matters:

The proposal of the following matters, shall record in the meeting minutes and make public announcement within 2 days after the approval of the Board through the information filing websites assigned by the Competent Authority.

i. If any objection or reservation by independent Director with a record or written statement.

ii. If there is an audit committee team in the Company and did not approve the matter but at least two-thirds of all of the Directors approved.

The attendance book is considered a part of the meeting minutes and shall kept in safety while the company existing.

Meeting minutes shall be signed or sealed by the Chairman and the person who records the minutes. Copies shall be distributed to all Directors within twenty days of the meeting. The minutes shall be considered as important files of the Company and be kept in safety while the company existing.

Preparation and distribution of the minutes in the first paragraph may be done electronically.

Article 17 : Besides the matters in Paragraph 1 of Article 15 shall be raised at the Board meeting for discussion, the Chairman is authorised to execute the matters by the regulations of Company Act as below:

1. Authorization list of the Company.

2. By rules, systems, and regulations of the Company.

3. Assigned the Director and supervisors of the investment company.

4. The record date for capital increase or reduction and cash dividend payment date.

Article 18 : The regulations of the Company's Board meeting shall be applied in content, procedure, matter recorded in meeting minutes, public announcement and other matters, unless stated in other Laws or Regulations.

Article 19 : If there is Executive Director meeting in the Company, meeting rules applied with Paragraph 2 Article 2, Article 5 to Article 14, Article 16 and Article 18 in this

regulation. If the meeting is regularly convened within seven days, a notice may be sent to all Executive Director two days before.

Article 20 : Establishment and amendment of this regulation shall be subject to consent of the Board and raised to report at a Shareholders' Meeting. Any amendment in the future shall be proposed for approval by the Board of Directors.

Appendix 6 : Financial Reports

Independent Auditors' Report

To the Board of Directors of Excelsior Medical Co., Ltd.:

Opinion

We have audited the financial statements of Excelsior Medical Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), 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 year 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. Based on our judgment, the key audit matter that should be disclosed in this report is as follow:

1. Impairment Assessment on Receivables

Please refer to Note (4)(f) for accounting policies of account receivable allowance for bad debts.

Description of the key audit matter:

The management of the Company performed its assessment thereof by taking into consideration the aging 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 is deemed to be a key audit matter.

How the matter was addressed in our audit:

Our main audit procedures in 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 information used 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 with an Other Matter paragraph on those statements on March 9, 2017. According to those financial statements, they did not audit the financial statements of certain associates and joint ventures, which represented investment in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports had been furnished to them, and their opinion, insofar as it related to the amounts included for such entities, was based solely on the reports of other auditors. As of December 31, 2016, the carrying amounts of these investments were NT\$2,906,860 thousand, constituting 36% of the total assets of the Company. The share of comprehensive income of associates and joint ventures accounted for using the equity method for the year ended December 31, 2016 amounted to NT\$75,826 thousand, constituting 42% of the total comprehensive income of the Company.

We did not audit the financial statements of certain associates and joint ventures, which represented investment in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of other auditors. As of December 31, 2017, the carrying amounts of these investments were NT\$1,184,632 thousand, constituting 15% of the total assets of the Company. The share of comprehensive income of associates and joint ventures accounted for using the equity method for the year ended December 31, 2017 amounted to NT\$(8,377) thousand, constituting (2)% of the total comprehensive income of the Company.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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.

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 27, 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)
EXCELSIOR MEDICAL CO., LTD.

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	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
Current assets:								
1100 Cash and cash equivalents	\$ 723,548	9	1,053,320	13	2,120			
1110 Current financial assets at fair value through profit or loss	-	-	6,634	-	2,150			
1126 Current available-for-sale financial assets	45,244	1	45,076	1	2,170			
1151 Notes receivable	98,181	1	97,015	1	2,200			
1170 Accounts receivable	317,212	4	283,764	4	2,230			
1180 Accounts receivable due from related parties	618,479	8	639,885	8	2,321			
1200 Other receivables	5,308	-	5,025	-	2,399			
130X Inventories	626,007	8	589,417	7				
1479 Other current assets	17,259	-	17,598	-				
	<u>2,451,238</u>	<u>31</u>	<u>2,737,734</u>	<u>34</u>	<u>2,530</u>			
Non-current assets:								
1523 Non-current available-for-sale financial assets	266,098	3	296,244	4	2,622			
1543 Non-current financial assets at cost	136,886	2	104,603	1	2,640			
1550 Investments accounted for using equity method	4,590,473	59	4,375,157	56	2,670			
1600 Property, plant and equipment	173,537	2	158,072	2				
1760 Investment property	197,114	3	219,492	3				
1780 Intangible assets	1,149	-	690	-				
1840 Deferred tax assets	30,667	-	17,235	-	3,100			
1980 Other non-current financial assets	9,112	-	5,898	-	3,200			
1990 Other non-current assets	15,756	-	8,043	-	3,400			
	<u>5,420,792</u>	<u>69</u>	<u>5,385,434</u>	<u>66</u>	<u>3,400</u>			
TOTAL ASSETS	<u>\$ 7,872,030</u>	<u>100</u>	<u>8,123,168</u>	<u>100</u>				
LIABILITIES AND EQUITY								
Current liabilities:								
Current financial liabilities at fair value through profit or loss								
Notes payable								
Accounts payable								
Other payables								
Current tax liabilities								
Bonds payable, current portion								
Other current liabilities								
	<u>16,971</u>	<u>-</u>	<u>46,430</u>	<u>1</u>	<u>14</u>			
	<u>975,854</u>	<u>12</u>	<u>1,118,641</u>	<u>14</u>				
Non-Current liabilities:								
Bonds payable								
Deferred tax liabilities								
Long-term accounts payable to a related party								
Net defined benefit liability, non-current								
Other non-current liabilities								
	<u>479,707</u>	<u>6</u>	<u>492,006</u>	<u>6</u>	<u>20</u>			
	<u>1,455,561</u>	<u>18</u>	<u>1,610,647</u>	<u>20</u>				
Equity attributable to owners of parent:								
Share capital	1,278,274	16	1,276,242	16				
Capital surplus	2,804,995	36	2,825,966	35				
Retained earnings	2,596,032	33	2,525,391	31				
Other equity interest	(262,832)	(3)	(115,078)	(2)				
	<u>6,416,469</u>	<u>82</u>	<u>6,512,521</u>	<u>80</u>				
TOTAL LIABILITIES AND EQUITY	<u>\$ 7,872,030</u>	<u>100</u>	<u>8,123,168</u>	<u>100</u>				

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD.

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

		For the Years Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue	\$ 3,561,288	100	3,404,487	100
5000	Operating costs	2,940,934	83	2,928,720	86
	Gross profit from operations	620,354	17	475,767	14
5910	Less: Unrealized profit from sales	111,180	3	72,190	2
5920	Add: Realized profit from sales	110,587	3	71,188	2
		<u>619,761</u>	<u>17</u>	<u>474,765</u>	<u>14</u>
	Operating expenses:				
6100	Selling expenses	223,898	6	180,756	5
6200	Administrative expenses	128,060	4	128,981	4
		<u>351,958</u>	<u>10</u>	<u>309,737</u>	<u>9</u>
	Net operating income	267,803	7	165,028	5
	Non-operating income and expenses:				
7010	Other income	5,119	-	4,065	-
7020	Other gains and losses	(596)	-	47,953	1
7050	Finance costs	(5,640)	-	(6,551)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	182,587	5	228,910	7
	Total non-operating income and expenses	181,470	5	274,377	8
7900	Profit before tax	449,273	12	439,405	13
7950	Less: Tax expense	50,226	1	49,848	2
	Profit	399,047	11	389,557	11
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(3,712)	-	(2,772)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(4,800)	-	(10,763)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	1,425	-	2,235	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(7,087)	-	(11,300)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(116,048)	(3)	(103,050)	(3)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(24,014)	(1)	(83,388)	(3)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(23,848)	(1)	(38,083)	(1)
8399	Other components of other comprehensive income that will be reclassified to profit or loss	16,156	1	28,723	1
	Components of other comprehensive income that will be reclassified to profit or loss	(147,754)	(4)	(195,798)	(6)
	Other comprehensive income, net	(154,841)	(4)	(207,098)	(6)
8500	Total comprehensive income for the year	\$ 244,206	7	182,459	5
	Earnings per share attributable to parent company				
9750	Basic earnings per share (NT dollars)	\$ 3.12		3.09	
9850	Diluted earnings per share (NT dollars)	\$ 3.10		3.04	

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Share capital		Unappropriated retained earnings			Other equity items		Total equity		
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on financial assets available for sale	Others
Balance as of January 1, 2016	1,204,524	13,282	2,662,188	565,122	-	1,887,322	130,722	162,357	(212,359)	6,413,158
Profit for the year	-	-	-	-	-	389,557	-	-	-	389,557
Other comprehensive income (loss) for the year	-	-	-	-	-	(11,300)	(88,568)	(107,130)	-	(207,098)
Total comprehensive income (loss) for the year	-	-	-	-	-	378,257	(88,568)	(107,130)	-	182,459
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	37,900	-	(37,900)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(304,451)	-	-	-	(304,451)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	191	-	-	-	-	-	-	191
Conversion of convertible bonds	-	58,436	161,062	-	-	-	-	-	-	219,498
Conversion of certificates of bonds-to-share	71,291	(71,291)	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	2,525	-	-	(852)	-	-	-	1,666
Balance as of December 31, 2016	1,275,815	427	2,825,966	603,022	-	1,922,369	42,054	55,227	(212,359)	6,512,521
Profit for the year	-	-	-	-	-	399,047	-	-	-	399,047
Other comprehensive income (loss) for the year	-	-	-	-	-	(7,087)	(103,073)	(44,681)	-	(154,841)
Total comprehensive income (loss) for the year	-	-	-	-	-	391,960	(103,073)	(44,681)	-	244,206
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	38,956	-	(38,956)	-	-	-	-
Special reserve appropriated	-	-	-	-	115,078	(115,078)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(319,067)	-	-	-	(319,067)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	64	-	-	(1,321)	-	-	-	(1,257)
Conversion of convertible bonds	-	2,032	5,319	-	-	-	-	-	-	7,351
Conversion of certificates of bonds-to-share	1,840	(1,840)	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	(26,354)	-	-	(931)	-	-	-	(27,285)
Balance as of December 31, 2017	1,277,655	619	2,804,995	641,978	-	1,838,976	(61,019)	10,546	(212,359)	6,416,469

Note: The remuneration to directors are 24,285 thousand and 23,752 thousand, and the remuneration to employees are 12,143 thousand and 11,876 thousand for the years ended December 31, 2017 and 2016, respectively. These items have been deducted from the statements of comprehensive income.

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CASH FLOWS

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

	For the Years Ended December 31,	
	2017	2016
Cash flows from operating activities :		
Profit before tax	\$ 449,273	439,405
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	22,174	23,587
Amortization expense	1,575	2,613
Provisions for bad debt expense	511	8,447
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,681	(258)
Interest expense	5,640	6,551
Interest income	(762)	(1,561)
Dividend income	(4,357)	(2,504)
Share of profit of associates and joint ventures accounted for using equity method	(182,587)	(228,910)
Gain on disposal of investment property	(4,820)	-
Gain on disposal of non-current assets held for sale	-	(54,018)
Gain on disposal of investments	(4,550)	(4,415)
Impairment loss (reversal of impairment loss) on financial assets	5,000	(3,506)
Impairment loss on non-financial assets	3,213	9,015
Unrealized profit from sales	111,180	72,190
Realized profit from sales	(110,587)	(71,188)
Others	-	(1,642)
Total adjustments to reconcile profit	(141,689)	(245,599)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(8,465)	(5,572)
Notes receivable	(1,166)	(21,169)
Accounts receivable	(33,519)	7,482
Accounts receivable due from related parties	21,406	(191,985)
Other receivables	44	(2,062)
Inventories	(66,778)	110,209
Other current assets	806	3,376
Total changes in operating assets	(87,672)	(99,721)
Changes in operating liabilities:		
Notes payable	1,690	352
Accounts payable	(160,694)	182,433
Other payables	16,216	23,781
Other current liabilities	(29,475)	15,580
Net defined benefit liabilities	(823)	(620)
Other operating liabilities	(5,731)	19,125
Total changes in operating liabilities	(178,817)	240,651
Total changes in operating assets and liabilities	(266,489)	140,930
Total adjustments	(408,178)	(104,669)
Cash generated from operations	41,095	334,736
Interest received	762	1,578
Income taxes paid	(27,610)	(15,195)
Net cash provided by operating activities	14,247	321,119

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>For the Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(45,000)
Proceeds from disposal of available-for-sale financial assets	10,517	7,491
Acquisition of financial assets at cost	(37,283)	-
Acquisition of investments accounted for using equity method	(129,543)	(19,122)
Proceeds from capital reduction of investments accounted for using equity method	-	4,844
Proceeds from disposal of non-current assets classified as held for sale	-	161,613
Acquisition of property, plant and equipment	(3,008)	(226)
Acquisition of intangible assets	(960)	-
Net cash inflows from business combination	38,808	-
Proceeds from disposal of investment property	24,105	-
Increase in other financial assets	(1,015)	(1,368)
Decrease in other non-current assets	(396)	(2,334)
Dividends received	73,823	142,688
Net cash (used in) provided by investing activities	<u>(24,952)</u>	<u>248,586</u>
Cash flows from financing activities:		
Increase in other payables to a related party	5,386	259,561
Cash dividends paid	(319,067)	(304,451)
Acquisition of ownership interests in subsidiaries	-	(46,066)
Interest paid	(5,386)	(5,311)
Net cash used in financing activities	<u>(319,067)</u>	<u>(96,267)</u>
Net (decrease) increase in cash and cash equivalents	<u>(329,772)</u>	<u>473,438</u>
Cash and cash equivalents at beginning of year	<u>1,053,320</u>	<u>579,882</u>
Cash and cash equivalents at end of year	<u>\$ 723,548</u>	<u>1,053,320</u>

Independent Auditors' Report

To the Board of Directors of Excelsior Medical Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Excelsior Medical Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), 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 year 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, inclusive of the report from other auditors, 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 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. Based on our judgment, the key audit matter that should be disclosed in this report is as follow:

1. Impairment Assessment on Receivables

Please refer to Note (4)(g) for accounting policies of account receivable allowance for bad debts.

Description of the key audit matter:

The management of the Group performed its assessment thereof by taking into consideration the aging 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 is deemed to be a key audit matter.

How the matter was addressed in our audit:

Our main audit procedures in 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 information used 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 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 with an Other Matter paragraph on those statements on March 9, 2017. According to those consolidated financial statements, they did not audit the financial statements of certain subsidiaries included in the consolidated financial statements of the Group. Those statements were audited by other auditors, whose reports have been furnished to them, and their opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the report of other auditors. As of December 31, 2016, the total assets of these subsidiaries were NT\$1,347,712 thousand, constituting 8% of the total assets of the Group. The operating revenues of these subsidiaries for the year ended December 31, 2016 were NT\$135,514 thousand, constituting 2% of the total operating revenues of the Group. They also did not audit the financial statements of certain associates and joint ventures, which represented investment in other entities accounted for using the equity method of the Group. Those statements were audited by other auditors, whose reports have been furnished to them, and their opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of other auditors. As of December 31, 2016, the carrying amounts of these investments were NT\$1,963,111 thousand, constituting 12% of the total assets of the Group. The share of comprehensive income of associates and joint ventures accounted for using the equity method for the year ended December 31, 2016 amounted to NT\$67,293 thousand, constituting 29% of the total comprehensive income of the Group.

We did not audit the financial statements of certain subsidiaries included in the consolidated financial statements of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the report of other auditors. As of December 31, 2017, the total assets of these subsidiaries were NT\$1,087,267 thousand, constituting 7% of the total assets of the Group. The operating revenues of these subsidiaries for the year ended December 31, 2017 were NT\$62,321 thousand, constituting 1% of the total operating revenues of the Group. We also did not audit the financial statements of certain associates and joint ventures, which represented investment in other entities accounted for using the equity method of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of other auditors. As of December 31, 2017, the carrying amounts of these investments were NT\$310,467 thousand, constituting 2% of the total assets of the Group. The share of comprehensive income of associates and joint ventures accounted for using the equity method for the year ended December 31, 2017 amounted to NT\$17,748 thousand, constituting 4% of the total comprehensive income of the Group.

Excelsior Medical Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion with an Other Matter paragraph.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 27, 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.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2017.12.31		2016.12.31	
	Amount	%	Amount	%
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,473,892	16	2,876,766	17
Current financial assets at fair value through profit or loss	700	-	7,350	-
Current available-for-sale financial assets	45,244	-	45,076	-
Current investments in debt instrument without active market	925,192	6	924,099	6
Notes receivable	362,447	2	406,947	2
Other notes receivable	390,405	3	460,882	3
Accounts receivable	1,446,820	10	1,295,479	8
Other receivables	3,562,727	24	4,783,800	28
Inventories	1,121,982	8	1,025,183	6
Other current financial assets	80,535	1	482,355	3
Other current assets	120,946	1	130,034	1
	<u>10,530,890</u>	<u>71</u>	<u>12,437,971</u>	<u>74</u>
Non-current assets:				
Non-current available-for-sale financial assets	389,967	2	436,420	3
Non-current financial assets at cost	229,782	2	199,558	1
Investments accounted for using equity method	2,508,952	17	2,482,068	15
Property, plant and equipment	270,490	2	271,012	2
Investment property	197,114	1	219,492	1
Intangible assets	39,901	-	43,761	-
Deferred tax assets	160,832	1	139,784	1
Long-term notes and accounts receivable	42,598	-	19,450	-
Net defined benefit asset, non-current	10,431	-	10,255	-
Other non-current financial assets	544,747	4	538,053	3
Other non-current assets	25,775	-	28,230	-
	<u>4,420,589</u>	<u>29</u>	<u>4,388,083</u>	<u>26</u>
				36XX
TOTAL ASSETS	<u>\$ 14,951,479</u>	<u>100</u>	<u>16,826,054</u>	<u>100</u>
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	\$ 1,160,000	8	905,000	5
Current financial liabilities at fair value through profit or loss	1,582	-	-	-
Notes payable	2,042	-	352	-
Accounts payable	1,027,294	7	1,230,607	7
Other payables	3,262,492	22	4,762,518	28
Current tax liabilities	52,663	-	66,004	1
Bonds payable, current portion	310,879	2	-	-
Long-term borrowings, current portion	-	-	2,989	-
Other current liabilities	589,124	4	713,427	5
	<u>6,406,076</u>	<u>43</u>	<u>7,680,897</u>	<u>46</u>
Non-Current liabilities:				
Bonds payable	-	-	312,905	2
Long-term borrowings	-	-	6,931	-
Deferred tax liabilities	85,577	1	84,128	1
Long-term payable to a related party	387,647	2	382,261	2
Net defined benefit liability, non-current	29,655	-	26,826	-
Other non-current liabilities	17,721	-	23,846	-
	<u>520,600</u>	<u>3</u>	<u>836,597</u>	<u>5</u>
	<u>6,926,676</u>	<u>46</u>	<u>8,517,494</u>	<u>51</u>
Equity attributable to owners of parent:				
Share capital	1,278,274	9	1,276,242	8
Capital surplus	2,804,995	19	2,825,966	17
Retained earnings	2,596,032	17	2,525,391	15
Other equity interest	(262,832)	(2)	(115,078)	(1)
	<u>6,416,469</u>	<u>43</u>	<u>6,512,521</u>	<u>39</u>
Total equity attributable to owners of parent	<u>1,608,334</u>	<u>11</u>	<u>1,796,039</u>	<u>10</u>
Non-controlling interests	<u>8,024,803</u>	<u>54</u>	<u>8,308,560</u>	<u>49</u>
Total equity	<u>\$ 14,951,479</u>	<u>100</u>	<u>16,826,054</u>	<u>100</u>

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD. 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)

		For the Years Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue	\$ 6,095,337	100	6,205,758	100
5000	Operating costs	4,888,446	80	5,008,037	81
	Gross profit from operations	1,206,891	20	1,197,721	19
5910	Less: Unrealized profit from sales	111,180	2	67,146	1
5920	Add: Realized profit on from sales	110,587	2	66,145	1
		1,206,298	20	1,196,720	19
	Operating expenses:				
6100	Selling expenses	483,736	8	472,092	8
6200	Administrative expenses	270,000	5	345,132	5
		753,736	13	817,224	13
	Net operating income	452,562	7	379,496	6
	Non-operating income and expenses:				
7010	Other income	51,985	1	46,003	1
7020	Other gains and losses	(26,102)	-	71,381	1
7050	Finance costs	(31,781)	(1)	(39,135)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	107,573	2	120,869	2
	Total non-operating income and expenses	101,675	2	199,118	3
7900	Profit before tax	554,237	9	578,614	9
7950	Less: Tax expense	83,229	1	101,312	1
	Profit	471,008	8	477,302	8
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(3,742)	-	(2,245)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(4,849)	-	(10,198)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	1,409	-	955	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(7,182)	-	(11,488)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(116,530)	(2)	(132,652)	(2)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(40,324)	(1)	(112,923)	(2)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(32,324)	-	(25,039)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	18,620	-	34,200	-
	Components of other comprehensive income that will be reclassified to profit or loss	(170,558)	(3)	(236,414)	(4)
	Other comprehensive income, net	(177,740)	(3)	(247,902)	(4)
8500	Total comprehensive income for the year	\$ 293,268	5	229,400	4
	Profit attributable to:				
8610	Profit, attributable to owners of parent	\$ 399,047	7	389,557	6
8620	Profit, attributable to non-controlling interests	71,961	1	87,745	2
		\$ 471,008	8	477,302	8
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 244,206	4	182,459	3
8720	Comprehensive income, attributable to non-controlling interests	49,062	1	46,941	1
		\$ 293,268	5	229,400	4
	Earnings per share				
9750	Basic earnings per share (NT dollars)	\$	3.12	3.09	
9850	Diluted earnings per share (NT dollars)	\$	3.10	3.04	

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD. 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										Total equity	
	Share capital			Retained earnings			Other equity interest					
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available for sale financial assets	Other	Equity attributable to owners of parent		Non controlling interests
Balance as of January 1, 2016	1,204,524	13,282	2,662,188	565,122	-	1,887,322	130,722	162,357	(212,359)	6,413,158	1,764,859	8,178,017
Profit for the year	-	-	-	-	-	389,557	-	-	-	389,557	87,745	477,302
Other comprehensive income (loss) for the year	-	-	-	-	-	(11,300)	(88,668)	(107,130)	-	(207,098)	(40,804)	(247,902)
Total comprehensive income (loss) for the year	-	-	-	-	-	378,257	(88,668)	(107,130)	-	182,459	46,941	229,400
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	37,900	-	(37,900)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(304,451)	-	-	-	(304,451)	-	(304,451)
Other changes in equity of associates and joint ventures accounted for using equity method	-	-	191	-	-	-	-	-	-	191	-	191
Conversion of convertible bonds	-	58,436	161,062	-	-	-	-	-	-	-	-	219,498
Conversion of certificates of bonds-to-share	71,291	(71,291)	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	2,525	-	-	(859)	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,666	(54,032)	(52,366)
Balance as of December 31, 2016	1,275,815	427	2,825,966	603,022	-	1,922,369	42,054	55,227	(212,359)	6,512,521	1,796,039	8,308,560
Profit for the year	-	-	-	-	-	399,047	-	-	-	399,047	71,961	471,008
Other comprehensive income (loss) for the year	-	-	-	-	-	(7,087)	(103,073)	(44,681)	-	(154,841)	(22,899)	(177,740)
Total comprehensive income (loss) for the year	-	-	-	-	-	391,960	(103,073)	(44,681)	-	244,206	49,062	293,268
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	38,956	-	(38,956)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	115,078	(115,078)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(319,067)	-	-	-	(319,067)	-	(319,067)
Other changes in equity of associates and joint ventures accounted for using equity method	-	-	64	-	-	(1,321)	-	-	-	-	-	(1,257)
Conversion of convertible bonds	-	2,032	5,319	-	-	-	-	-	-	-	-	7,351
Conversion of certificates of bonds-to-share	1,840	(1,840)	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	(26,354)	-	-	(931)	-	-	-	-	-	(183,925)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(156,640)	(80,127)
Balance as of December 31, 2017	1,277,655	619	2,804,995	641,978	115,078	1,838,976	(61,019)	10,546	(212,359)	6,416,469	1,606,334	8,024,803

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD. 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)

	For the Years Ended December 31,	
	2017	2016
Cash flows from operating activities :		
Profit before tax	\$ 554,237	578,614
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	74,508	84,774
Amortization expense	10,307	11,975
Provisions (reversal of provision) for bad debt expense	(21,623)	9,689
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,636	557
Interest expense	31,781	39,135
Interest income	(38,243)	(38,129)
Dividend income	(13,301)	(7,442)
Share of profit of associates and joint ventures accounted for using equity method	(107,573)	(120,869)
Loss (gain) on disposal of property, plant and equipment	544	(12,651)
Gain on disposal of investment property	(4,820)	-
Gain on disposal of non-current assets held for sale	-	(54,018)
Gain on disposal of investments	(4,550)	(4,415)
Gain on disposal of subsidiaries	(2,620)	-
Impairment loss on financial assets	5,000	-
Reversal of impairment loss on financial assets	-	(3,506)
Impairment loss on non-financial assets	1,489	18,665
Unrealized profit from sales	111,180	67,146
Realized profit from sales	(110,587)	(66,145)
Others	(8,723)	(1,642)
Total adjustments to reconcile profit	(60,595)	(76,876)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(9,986)	(7,103)
Notes receivable	42,182	(47,629)
Accounts receivable	(148,701)	(213,155)
Other receivables	1,244,175	(929,242)
Inventories	(155,417)	68,791
Net defined benefit assets	(262)	1,560
Other current assets	7,347	11,628
Other operating assets	(23,148)	6,663
Total changes in operating assets	956,190	(1,108,487)
Changes in operating liabilities:		
Financial liabilities held for trading	1,582	-
Notes payable	1,690	(118)
Accounts payable	(199,990)	119,394
Other payables	(1,549,695)	907,300
Other current liabilities	(122,577)	115,028
Net defined benefit liabilities	(1,111)	(12,523)
Other operating liabilities	(5,777)	(32,069)
Total changes in operating liabilities	(1,875,878)	1,097,012
Total changes in operating assets and liabilities	(919,688)	(11,475)
Total adjustments	(980,283)	(88,351)
Cash generated from operations	(426,046)	490,263
Interest received	38,361	37,268
Income taxes paid	(99,703)	(77,818)
Net cash (used in) provided by operating activities	(487,388)	449,713

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
EXCELSIOR MEDICAL CO., LTD. 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)

	For the Years Ended December 31,	
	2017	2016
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(45,000)
Proceeds from disposal of available-for-sale financial assets	10,517	7,491
Acquisition of investments in debt instrument without active market	(715,670)	(1,088,505)
Proceeds from disposal of investments in debt instrument without active market	704,797	732,885
Acquisition of financial assets at cost	(37,283)	-
Acquisition of investments accounted for using equity method	(119,545)	(19,122)
Net cash flow from disposal of subsidiaries	17,184	15,561
Proceeds from capital reduction of investments accounted for using equity method	-	4,844
Proceeds from disposal of non-current assets classified as held for sale	-	161,613
Acquisition of property, plant and equipment	(34,193)	(29,781)
Proceeds from disposal of property, plant and equipment	9,915	28,577
Increase in refundable deposits	(17,109)	(23,953)
Decrease in refundable deposits	10,400	43,952
Acquisition of intangible assets	(2,678)	(1,323)
Proceeds from disposal of investment property	24,105	-
Decrease in receivables for disposal of investments	34,742	-
Decrease in receivables for disposal of subsidiaries	28,379	-
Decrease (increase) in other financial assets	400,995	(233,846)
Decrease (increase) in other non-current assets	540	(2,951)
Dividends received	110,874	138,132
Net cash provided by (used in) investing activities	<u>425,970</u>	<u>(311,426)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	255,000	12,000
Repayments of long-term borrowings	(9,920)	(5,707)
Decrease in guarantee deposits received	(48)	(15)
Increase in long-term payables to a related party	-	259,561
Cash dividends paid	(319,067)	(304,451)
Acquisition of ownership interests in subsidiaries	(129,870)	(52,366)
Interest paid	(19,173)	(23,472)
Change in non-controlling interests	(80,127)	(75,665)
Other financing activities	-	113,936
Net cash used in financing activities	<u>(303,205)</u>	<u>(76,179)</u>
Effect of exchange rate changes on cash and cash equivalents	(38,251)	(88,150)
Net decrease in cash and cash equivalents	(402,874)	(26,042)
Cash and cash equivalents at beginning of year	<u>2,876,766</u>	<u>2,902,808</u>
Cash and cash equivalents at end of year	<u>\$ 2,473,892</u>	<u>2,876,766</u>

Appendix 7 : List of Release of the prohibition on directors from participation in competition businesses.

Title and Name	Company Name and Concurrent Position
Director : Fu Hui-Tung	Chairman of Excelsior Health Foundation
Director : Wang Ming-Ting	Director of Excelsior Investment Co. Director of Sino Excelsior Investment Incorporation Supervisor of Beijing Yu Jia Cheng Yue Investment Management Co., Ltd Supervisor of BAUI Biotech Co. Ltd.
Director : Hsieh Yen-Sheng	Director of Excelsior Health Foundation
Director : Fu Jo-Hsuan	Director of Medytox Taiwan Inc. Chairman of TRIPLE AI TECHNOLOGY Co. Ltd.

Appendix 8 : Operational Procedures for Loaning of Company Funds

Excelsior Medical Co., Ltd. **Operational Procedures for Loaning of Company Funds**

Resolution in the Board of Directors' meeting held on May 03, 2018

- Article 1: In accordance to business needs, the company sets these operational procedures without prejudice to the provisions of The Company Act Article 15.
Unless relevant laws and regulations provide otherwise, the Company's fund-lending shall be conducted in accordance with the Operational Procedures for Loaning of Company Funds.
- Article 2: These operational procedures are set in accordance with the provisions of Article 36-1 of the Securities Exchange Act and The Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
- Article 3: The party to whom the Company may lend its funds:
The fund of the Company shall not be lent to shareholders or any borrower except for parties listed below:
1. Companies having business relationship with the Company: for the purpose of this Procedure, the "business relationship" shall mean the purchases or sales between the parties; or
 2. Companies in need of funds for a short-term period .
- Article 4: The lending limits for any borrower :
1. The total amount for lending to companies having business relationship with the Company shall not exceed twenty percent (20%) of the net worth of the Company .The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of one (1) year prior to the time of lending, and shall not exceed ten percent (10%) of the net worth of the Company. For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher.
 2. The total amount for lending to companies in need of funds for a short-term period shall not exceed twenty percent (20%) of the net worth of the Company, and the total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company.
- Article 5: The term of each loan lent by the Company and interest rate:
1. The term of each loan extended by the Company shall not exceed one (1) year or one (1) operational period from the date of loan, determined by whichever is longer.
 2. The interest rate shall not be lower than the Company's average short-term bank borrowing rate at the time of lending. The interests shall be calculated on a monthly basis. Only under the circumstances that parent company and subsidiary have need for loans, its term and interest rate shall be adjusted accordingly.
- Article 6: The procedures for lending loans to any borrower:
1. The department applying for a loan from the Company to borrowers shall submit an "Loaning of Company Funds Application", together with the contract, describing in detail the borrowing party, loan purpose, reason, and loan amount requested, together with certain basic information and financial data, to the Finance Department of Company to facilitate the evaluation and credit checking. Finance Department shall evaluate the necessity and rationality of the loan application, the loan amount is under

limit or not, the impact of the Company's operating risk, financial status and the impact of shareholders' equity. Whether collateral must be obtained and appraisal of the value thereof.

2. Finance department shall collect and submit the aforementioned information and evaluation result to the chairman in accordance with hierarchy, and then to the Board of Directors for resolution whether the application is approved.
3. Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights:
 - (1) Appropriations: The loan shall be appropriated after the application is approved, the borrower signs the contract, the appraisal of collateral is registered, and all of the aforesaid procedures are checked and proved to be correct.
 - (2) Repayments: After a loan is appropriated, the finance department shall periodically evaluate the financial, business and credit status of the borrower and guarantor, and whether the appraisal of collateral changes (if any). The finance department shall notify borrower to pay off principal and interest of the loan one (1) month prior to the date of which the loan is due.
 - a. The borrower of a loan shall pay off the interest together with the capital when the loan is due. After that the Company shall issue the deregistration certificate, including promissory note and receipt for the loan, to the borrower.
 - b. If a borrower applies for collateral cancellation, the Company shall check if the loan of the borrower has sufficient balance to determine whether to approve the application.
4. The finance department shall establish and maintain a reference book to record the borrowing party, loan amount requested, the date of which the Board Meeting or chairman approve the loan application, the date of which the loan is appropriated, and related information in accordance with the relevant regulations.
5. The internal auditor of the Company shall audit on a seasonal basis the operational procedures by which the Company lends fund to any party and the implementation, recording in writing. If any major violations, the internal auditor shall immediately notify members of the Audit Committee in writing.

Article 7: The Company shall take into account the following matters when lending funds to any party:

1. Any lending of the Company's funds shall be evaluated with and subject to the Procedures, and then submitted, together with the result of the evaluation, to the Board of Directors for its approval and no delegation shall be made to any person in this regard.
2. Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided by the finance department to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.
3. Any lending of the Company's funds shall be under the consideration of every Independent Director, and every approval or objection, together with the reason for objection, shall be listed in the record of Board Meeting.
4. Before any lending of the Company's funds, a detail list shall be conducted to calculate whether the loan amount requested is under the announced lending limits.

Article 8: The Company shall control fund-lending from its subsidiaries to other parties according to procedures below:

1. When fund-lending to other parties is contemplated by the Company's subsidiary, the subsidiary shall establish these procedures and implement fund-lending in accordance with these procedures; And the net worth is based on the net worth of the subsidiary.
2. When fund-lending to other parties is contemplated by the Company's subsidiary, a fund-lending detail list shall be provided to the Company for inspection, to check whether the loan amount of the Company's subsidiary, is reach the announced lending limits.
3. The internal auditor of the Company's subsidiary shall audit on a seasonal basis the fund-lending operational procedures and implementation, recording in writing .If any major violations, the internal auditor shall immediately notify the audit department of the Company. The internal audit department shall then submit written information to members of the Audit Committee.
4. If the Company's subsidiary doesn't have internal auditor, the Company's internal auditor shall audit the fund-lending operational procedures and implementation of the subsidiary when Company's internal auditor execute annual audit plan in the subsidiary company. If any deficient procedures, the internal auditor shall track the subsidiary's improvement, submitting a tracking report to Chairman of the Board of the subsidiary, and submitting written information to members of the Company's Audit Committee .

Article 9: The Company shall announce and report fund-lending information:

1. By the tenth date of every month, the Company shall post its fund-lending balance and the subsidiary's fund-lending balance of the previous month into website specified by the competent authority.
2. If any fund-lending case reach one of the following standards, it shall be announced and reportd in the website specified by the competent authority within two (2) days from the date it happens:
 - (1) The balance of the total fund-lending of the Company and the Company's subsidiary exceed twenty percent (20%) of the net worth of the Company's latest financial report.
 - (2) The balance of the fund-lending for an enterprise from the Company and the Company's subsidiary exceed ten percent (10%) of the net worth of the Company's latest financial report.
 - (3) The amount of new added fund-lending of the Company or its subsidiary exceed ten (10) million NT dollars and exceed two percent (2%) of the net worth of the Company's latest financial report.
3. Provided that the Company's subsidiary is not a public offering company in Taiwan, the Company shall represent the subsidiary to announce and report its fund-lending information if the case meet the third (3) aforesaid standard.
4. For the purpose of the aforesaid standard, the balance ratio of the net worth shall be calculated with the subsidiary's balance and the Company's net worth.
5. The Company shall evaluate its fund-lending status and reserve sufficient allowance for bad debts, disclosure relevant information in the financial report, and provide relevant information to certified accountant to execute necessary audit procedures.

The aforesaid "announce and report " shall mean reporting information into website specified by the competent authority.

"Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the

counterparty and monetary amount of the transaction, whichever date is earlier.

Article 10: Punishment:

If the manager and personnel in charge of fund-lending violate these operational procedures, assessment shall be reported in accordance with the personnel management measures and the employee regulations of the Company, and punishment shall be imposed in accordance with the circumstances.

Article 11: "Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. "financial reports" are prepared according to the International Financial Reporting Standards. "Net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 12: Implementation and amendment of the Procedures:

The establishment or amendment of this Procedure shall be approved by half (1/2) of the Audit Committee and be submitted to the Board Meeting for resolution. If the aforesaid event are not approved by half (1/2) of the Audit Committee, it shall be approved by two thirds (2/3) of the Directors, and the Audit Committee's resolution shall be recorded in the Board Meetings minutes. All members of the Audit Committee and the aforesaid Directors means those who are in the position in the meantime.

This Procedure, and the amendment of this Procedure, shall be audited by the Audit Committee, and submitted to the Board Meeting for approval before it is adopted. Where there any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinions to the member of audit Committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.

Article 13: Other matters not covered by the Operational Procedures for Loaning of Company Funds shall be subject to relevant laws and regulations.

Appendix 9 : The Impact of Stock Dividend Issuance on Business Performance, EPS and Shareholders Return Rate

Description		2018(forecast)	
Opening paid-in capital		NT\$1,278,273,850	
Status of current year dividend distribution (Note 1)	Cash dividend per share (note 2)	NT\$2.8	
	Per-share stock dividend from capital increase by earnings recapitalization	0 shares	
	Per-share stock dividend from capital increase by capital surplus	0 shares	
Change in business performance	Profit from operations	N/A (Note 3)	
	Increase (decrease) ratio of profit from operations from the same period of the previous year	N/A (Note 3)	
	Net profit after tax	N/A (Note 3)	
	Increase (decrease) ratio of net profit after tax from the same period of the previous year	N/A (Note 3)	
	EPS (retroactive adjustment)	N/A (Note 3)	
	Increase (decrease) ratio of EPS from the same period of the previous year.	N/A (Note 3)	
	Annual average ROI (annual average P/E ratio)	N/A (Note 3)	
Pro forma EPS and P/E	If the capital increase by earnings recapitalization is totally distributed as the cash dividend	Pro forma EPS	N/A (Note 3)
		Pro forma annual average ROI	N/A (Note 3)
	If the capital increase by capital surplus is not processed	Pro forma EPS	N/A (Note 3)
		Pro forma annual average ROI	N/A (Note 3)
	If the capital surplus is not processed, and the capital increase by earnings recapitalization is distributed as the cash dividend	Pro forma EPS	N/A (Note 3)
		Pro forma annual average ROI	N/A (Note 3)

Note 1: To be resolved at the 2018 shareholders' meeting.

Note 2: In case of any change in the per-share cash dividend as a result of the fact that any holder of the convertible corporate bond issued by the Company applies for conversion or repurchase of the Company's shares or the treasury stock is transferred or deleted, which further affects the number of the Company's outstanding shares, the Board of Directors shall be authorized to adjust shareholder's cash dividend rate according to the distribution amount adopted by the Board of Shareholders for this proposal and the number of the Company's actual outstanding shares.

Note 3: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to release its 2018 financial forecast, so such information is not available.

Appendix 10 : Shareholding of Directors

1. Shares required to be held by the Company's current directors and supervisors are as follows:

The Company's common stock shares	128,134,077 shares
The ratio of the shares required to be held by the entire body of directors (note)	10%
The shares required to be held by the entire body of directors (note)	8,000,000 shares

Note: According to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the amount of the total registered shares held by the entire body of directors and supervisors shall not be less than the regulated ratio of the amount of the total shares issued by the Company. However, if the amount of the total shares held by the entire body of directors or supervisors is less than the amount of the maximum shares required by the previous rank, the total amount of the maximum shares of the previous rank shall prevail.

Also, according to the preceding Rules of the same Article, the shares held by the independent directors elected by the Company shall not be included in the total amount referred to in the preceding paragraph. If the number of the elected independent directors is more than two, the ratio of the shares held by entire body of directors, excluding the independent directors, can be reduced to 80% of the shareholding ratio calculated according to the preceding paragraph. Furthermore, as Excelsior has established the audit committee that satisfies the requirements of the securities and Exchange Act, the minimum shareholding requirements for supervisors do not apply.

2. The shares held by the Company's directors and supervisors and their shareholding ratios are as below:

Title	Name	As of 4/23/2018 – the date suspending share ownership transfer	
		Shares	Shareholding ratio
Director	Fu Hui-Tung	436,763	0.34%
Director	Wang Ming-Ting	47,792	0.04%
Director	Hsieh Yen-Sheng	595,865	0.47%
Director	Excelsior Group Holdings Co., Ltd. Institutional representatives: Chen Tun-Ling, Yang Lung-He	13,860,296	10.82%
Director	Fu Jo-Hsuan	0	0%
Independent director	Chan Tzu-Sheng	380	0%
Independent director	Chang Wu-Yi	0	0%
Independent director	Kuo Yu-Chia	0	0%
Total shares held by directors and their total shareholding ratio		14,941,096	11.67%