

TAIFLEX SCIENTIFIC CO., LTD.

Meeting Minutes of 2018 Annual Shareholders' Meeting

Time: 9:00 a.m., May 29, 2018

Place: No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Qianzhen Dist., Kaohsiung City

Attendance: The shareholders present in person or by proxy represented 151,876,856 shares (including 61,914,063 shares attended through electronic means), which accounted for 72.62% of the total shares outstanding.

Directors present: Ta-Wen Sun, Ching-Yi Chang, Re-Zhang Lin, Chun-Yen Chiang and Fu-Le Lin

Independent Directors present: Wen-I Lo, convener of the Audit Committee; Chein-Ming Hsu; Shi-Chern Yen

Guests: Fang-Wun Li, CPA; Zhi-Ming Yen, President; Jin-Cheng Zhang, Chief Legal Officer

Chairperson: Ta-Wen Sun, Chairperson of the Board

Recorder: Yi-Han Lin

I. Chairperson's Opening Remarks (omitted)

II. Report Items

1. Appropriation of remuneration to directors and supervisors and compensation to employees in 2017 (Please refer to the meeting agenda.)
2. Business report for 2017 (Please refer to the meeting agenda.)
3. Audit Committee's review report on the 2017 financial statements. Please refer to Attachment I.
4. Amendments to the Rules of Procedure for the Board of Directors' Meetings. Please refer to Attachment II.

III. Ratification Items

Item 1

(Proposed by the Board of Directors)

Subject: To accept the 2017 financial statements

Explanation: 1. The 2017 business report and consolidated and parent company only financial statements were audited by Certified Public Accountants of Ernst & Young, Fang-Wun Li and Jheng-Chu Chen, and reviewed by the Audit Committee.
2. Please refer to Attachment III for the financial statements.
3. Please accept the above-mentioned financial statements.

Resolution: The voting result showed that 141,718,278 votes were in favor of the proposal, which accounted for 93.31% of the total represented shares present; 162,613 votes were against the proposal; 9,995,965 votes were abstained/withhold; and there was no invalid vote. The proposal was accepted as it was approved by the majority of voting rights represented at the time of voting.

Subject: To discuss the distribution of 2017 earnings

Explanation: 1. The earnings available for distribution of NT\$2,772,270,956 was calculated by adding the unappropriated earnings from previous year of NT\$2,091,113,365 and the remeasurement of defined benefit plan transferred to retained earnings directly of NT\$20,027,867 to net income for 2017 of NT\$734,588,582, appropriating 10% for legal capital reserve (i.e. NT\$73,458,858).

2. Dividends to shareholders:

Each common shareholder will be entitled to receive a cash dividend of NT\$2.5 per share and the overall cash dividend amounts to NT\$522,799,230. Unappropriated earnings at the end of period of NT\$2,249,471,726, net of dividends, will be retained for distribution in later years. Earnings from 2017 will be distributed first. Cash dividends to be paid are rounded to the nearest dollar. Dividends to individual shareholder of fractional dollar amount are transferred to the Employee Welfare Committee of the Company.

3. The earning distribution plan is calculated based on the number of outstanding shares as of the date on which the proposal is approved in the Board meeting. If the number of outstanding shares changes due to exercise of employee stock options for common shares, capital increase by cash, purchase of the Company's shares, or transfer or cancellation of treasury stocks and the dividend payout ratio is affected, the Chairperson is authorized to adjust the cash dividend to be distributed to each share based on the total amount of cash resolved to be distributed and the actual number of outstanding shares on the record date.

4. When the conditions for this earning distribution are changed due to amendments to laws or decisions of regulators, the Chairperson is authorized to take all necessary measures.

5. The 2017 earning distribution table is as follows:

Taiflex Scientific Co., Ltd.

2017 Earning Distribution Table

(In New Taiwan Dollars)

Item	Subtotal	Total	Note
Unappropriated earnings, beginning balance		2,091,113,365	
Add: Net income of 2017	734,588,582		
Other comprehensive income (Remeasurement of defined benefit plan) (Note 2)	20,027,867		
Less: Legal capital reserve (Note1)	(73,458,858)		
Distributable earnings		2,772,270,956	
Distribution item: (Note 3)			
Dividends to shareholders - cash	522,799,230		NT\$2.5 per share
Total distributed earnings		(522,799,230)	
Unappropriated earnings, ending balance		2,249,471,726	

Chairperson: Ta-Wen Sun

President: Zhi-Ming Yen

Accounting Manager: Fang-Yi Xie

(Note 1) The amount and percentage of legal capital reserve is calculated as follows:

$$734,588,582 * 10\% = 73,458,858.$$

(Note 2) The remeasurement of defined benefit plan under IAS 19 is transferred to retained earnings directly instead of through the profit or loss account.

(Note 3) The distribution item above is appropriated in accordance with the Articles of Incorporation. The amount and percentage are calculated as follows:

$$\text{Dividends to shareholders: Cash dividend of NT\$2.5 per share} * 209,119,692 \text{ shares} = \text{NT\$}522,799,230.$$

6. Please accept the distribution of 2017 earnings.

Resolution: The voting result showed that 141,975,037 votes were in favor of the proposal, which accounted for 93.48% of the total represented shares present; 168,839 votes were against the proposal; 9,732,980 votes were abstained/withhold; and there was no invalid vote. The proposal was accepted as it was approved by the majority of voting rights represented at the time of voting.

IV. Extempore Motions: None.

V. Meeting Adjourned: 9:19 a.m., May 29, 2018

Attachment I

Audit Committee's Review Report

The Board of Directors has prepared the business report, consolidated and parent company only financial statements and earning distribution for the year ended December 31, 2017. Certified Public Accountants of Ernst & Young, Fang-Wun Li and Jheng-Chu Chen, were retained by the Board to audit the consolidated and parent company only financial statements and they have issued an audit report.

The above-mentioned business report, consolidated and parent company only financial statements and earning distribution have been reviewed and determined to be correct by the Audit Committee. We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: Taiflex Scientific Co., Ltd. 2018 Annual Shareholders' Meeting

Audit Committee of Taiflex Scientific Co., Ltd.
Convener of the Audit Committee: Wen-I Lo

February 27, 2018

Attachment II Comparison Table of Amendments to Rules of Procedure for the Board of Directors’

Meetings

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 5	<p>The <u>Financial Department</u> is the designated division responsible for the board meetings.</p> <p>The <u>Financial Department</u> shall draft the agenda of the board meetings and provide sufficient meeting materials to be sent with the meeting notice.</p> <p>If directors consider the meeting materials to be insufficient, they may request the <u>Financial Department</u> to provide supplementary information. If they consider the information to be incomplete during the board meetings, the discussion of matters may be postponed upon a resolution of the board of directors.</p>	<p>The <u>Financial & Accounting Division</u> is the designated division responsible for the board meetings.</p> <p>The <u>Financial & Accounting Division</u> shall draft the agenda of the board meetings and provide sufficient meeting materials to be sent with the meeting notice.</p> <p>If directors consider the meeting materials to be insufficient, they may request the <u>Financial & Accounting Division</u> to provide supplementary information. If they consider the information to be incomplete during the board meetings, the discussion of matters may be postponed upon a resolution of the board of directors.</p>	To amend the unit’s name.
Article 7	<p>The Company shall propose the following matters to be discussed at the board meetings:</p> <p>(Omitted)</p> <p>3. Adopt or amend the internal control system in accordance with Article 14-1 of the Act.</p> <p>(Omitted)</p> <p>The term “related parties” in Subparagraph 7 of the preceding paragraph is as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(Omitted)</p> <p>For matters specified to be <u>resolved at the board meeting in accordance with Article 14-3 of the Act, the independent directors shall attend the meeting in person or appoint other independent directors as proxy. Any objection or reservation which the independent directors may have shall be recorded in the board meetings minutes. If the independent directors are unable to attend the meeting in person to express their objections or reservations, they shall submit written statements in advance to be recorded in the meeting minutes of board</u></p>	<p>The Company shall propose the following matters to be discussed at the board meetings:</p> <p>(Omitted)</p> <p>3. Adopt or amend the internal control system in accordance with Article 14-1 of the Act <u>and the assessment of its effectiveness.</u></p> <p>(Omitted)</p> <p>The term “related parties” in Subparagraph 7 of the preceding paragraph is as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(Omitted)</p> <p><u>At least one independent director shall attend the board meeting in person. For matters specified to be submitted to the board meeting for approval by resolution in accordance with Paragraph 1, all independent directors shall attend the meeting in person or shall appoint other independent directors to attend as proxy. Any objection or reservation which the independent directors may have shall be recorded in the board meetings minutes. If the independent directors are unable to attend the meeting in</u></p>	To comply with amendments made by the competent authority.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	meetings, except for legitimate reasons.	person to express their objections or reservations, they shall submit written statements in advance to be recorded in the meeting minutes of board meetings, except for legitimate reasons.	
Article 20	<p>The Rules were established on March 7, 2003 and took effect after being approved by the board of directors. It was proposed at the shareholders' meeting of that year.</p> <p>The first amendment to the Rules was approved by the board of directors on February 27, 2004 and proposed at the shareholders' meeting of that year.</p> <p>The second amendment to the Rules took effect after being approved by the board of directors on December 13, 2006. It was then proposed at the shareholders' meeting in the following year.</p> <p>The third amendment to the Rules took effect after being approved by the board of directors on March 18, 2008. It was then proposed at the shareholders' meeting.</p> <p>The fourth amendment to the Rules took effect after being approved by the board of directors on February 25, 2010. It was then proposed at the shareholders' meeting.</p> <p>The fifth amendment to the Rules took effect after being approved by the board of directors on October 24, 2012.</p> <p>The sixth amendment to the Rules took effect after being approved by the board of directors on July 28, 2015.</p> <p>The seventh amendment to the Rules took effect after being approved by the board of directors on February 23, 2017. It was then proposed at the shareholders' meeting.</p>	<p>The Rules were established on March 7, 2003 and took effect after being approved by the board of directors. It was proposed at the shareholders' meeting of that year.</p> <p>The first amendment to the Rules was approved by the board of directors on February 27, 2004 and proposed at the shareholders' meeting of that year.</p> <p>The second amendment to the Rules took effect after being approved by the board of directors on December 13, 2006. It was then proposed at the shareholders' meeting in the following year.</p> <p>The third amendment to the Rules took effect after being approved by the board of directors on March 18, 2008. It was then proposed at the shareholders' meeting.</p> <p>The fourth amendment to the Rules took effect after being approved by the board of directors on February 25, 2010. It was then proposed at the shareholders' meeting.</p> <p>The fifth amendment to the Rules took effect after being approved by the board of directors on October 24, 2012.</p> <p>The sixth amendment to the Rules took effect after being approved by the board of directors on July 28, 2015.</p> <p>The seventh amendment to the Rules took effect after being approved by the board of directors on February 23, 2017. It was then proposed at the shareholders' meeting.</p> <p><u>The eighth amendment to the Rules took effect after being approved by the board of directors on February 27, 2018. It was then proposed at the shareholders' meeting.</u></p>	To add the amendment date.

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 1,934,276	\$ 2,982,208
Financial assets at fair value through profit or loss, current	4, 6(2)	17,463	36,007
Notes receivable, net	4, 6(3)	2,027,778	1,542,759
Accounts receivable, net	4, 6(4)	2,748,633	2,797,975
Other receivables		55,865	47,260
Inventories, net	4, 6(5)	1,626,286	1,132,399
Prepayments		95,630	101,573
Other current assets	8	26,746	43,676
Total current assets		<u>8,532,677</u>	<u>8,683,857</u>
Non-current assets			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	-	-
Property, plant and equipment	4, 6(8)	2,876,458	2,789,520
Intangible assets	4, 6(9)	121,378	113,598
Deferred income tax assets	4, 6(23)	130,697	129,825
Other non-current assets	4, 6(10)	72,026	80,854
Total non-current assets		<u>3,200,559</u>	<u>3,113,797</u>
Total assets		<u>\$ 11,733,236</u>	<u>\$ 11,797,654</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2017	December 31, 2016
Current liabilities			
Short-term loans	6(12)	\$ 656,596	\$ 939,783
Financial liabilities at fair value through profit or loss, current	6(13)	13,351	-
Notes payable		324	177,893
Accounts payable		2,416,532	2,133,276
Other payables		666,715	560,381
Current income tax liabilities	4, 6(23)	115,338	84,828
Current portion of long-term loans	6(15)	44,825	27,372
Lease payable - current	6(14)	639	-
Other current liabilities		5,777	15,899
Total current liabilities		<u>3,920,097</u>	<u>3,939,432</u>
Non-current liabilities			
Long-term loans	6(15)	210,871	743,426
Deferred income tax liabilities	4, 6(23)	176,327	159,115
Lease payable – non-current	6(14)	2,499	-
Net defined benefit liabilities, non-current	4, 6(16)	184,124	190,276
Other non-current liabilities	4, 12	255	46
Total non-current liabilities		<u>574,076</u>	<u>1,092,863</u>
Total liabilities		<u>4,494,173</u>	<u>5,032,295</u>
Equity attributable to shareholders of the parent			
Capital	6(17)		
Common stock		2,087,802	2,083,252
Capital collected in advance		665	-
Capital surplus	6(17)	1,441,339	1,407,558
Retained earnings			
Legal capital reserve		742,131	684,163
Special capital reserve		102,158	102,158
Unappropriated earnings		2,845,730	2,561,335
Total retained earnings		<u>3,690,019</u>	<u>3,347,656</u>
Others	4	(92,974)	(74,673)
Treasury stocks	6(17)	-	(98,744)
Total equity attributable to shareholders of the parent		<u>7,126,851</u>	<u>6,665,049</u>
Non-controlling interests	4, 6(17)	112,212	100,310
Total equity		<u>7,239,063</u>	<u>6,765,359</u>
Total liabilities and equity		<u>\$ 11,733,236</u>	<u>\$ 11,797,654</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(In Thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Net revenue	4, 6(19)	\$ 11,192,892	\$ 10,283,979
Cost of revenue	4, 6(5), 6(21)	<u>(9,058,315)</u>	<u>(8,388,233)</u>
Gross profit		2,134,577	1,895,746
Unrealized sales profit or loss		<u>(95)</u>	<u>(95)</u>
Gross profit, net		<u>2,134,482</u>	<u>1,895,651</u>
Operating expenses	4, 6(21)		
Sales and marketing expenses		(473,619)	(383,184)
General and administrative expenses		(414,505)	(340,322)
Research and development expenses		<u>(257,468)</u>	<u>(217,559)</u>
Total operating expenses		<u>(1,145,592)</u>	<u>(941,065)</u>
Operating income		<u>988,890</u>	<u>954,586</u>
Non-operating income and expenses	6(22)		
Other income		27,115	25,257
Other gains and losses		9,278	(203,996)
Finance costs		(66,185)	(92,449)
Share of profit or loss of associates under the equity method	4, 6(7)	-	-
Total non-operating income and expenses		<u>(29,792)</u>	<u>(271,188)</u>
Income before income tax		959,098	683,398
Income tax expense	4, 6(23)	<u>(212,553)</u>	<u>(136,788)</u>
Net income of continuing operations		<u>746,545</u>	<u>546,610</u>
Net income		<u>746,545</u>	<u>546,610</u>
Other comprehensive income (loss)	6(22)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		24,130	(72,083)
Income tax related to components of other comprehensive income that will not be reclassified subsequently		(4,102)	12,254
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(22,115)	(164,774)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss		3,760	28,011
Total other comprehensive income, net of tax		<u>1,673</u>	<u>(196,592)</u>
Total comprehensive income		<u>\$ 748,218</u>	<u>\$ 350,018</u>
Net income (loss) attributable to:	4, 6(24)		
Shareholders of the parent		\$ 734,589	\$ 579,678
Non-controlling interests		<u>11,956</u>	<u>(33,068)</u>
		<u>\$ 746,545</u>	<u>\$ 546,610</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME-(Continued)
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Notes	2017	2016
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 736,316	\$ 383,801
Non-controlling interests		11,902	(33,783)
		\$ 748,218	\$ 350,018
Earnings per share (NT\$)			
Earnings per share - basic	4, 6(24)	\$ 3.55	\$ 2.81
Earnings per share - diluted		\$ 3.53	\$ 2.79

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Others		Total	Non-Controlling Interests	Total Equity
Legal Capital Reserve				Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Treasury Stocks				
Balance as of January 1, 2016	\$ 2,042,858	\$ -	\$ 1,447,952	\$ 611,177	\$ 102,158	\$ 2,518,408	\$ 61,375	\$ (98,744)	\$ 6,685,184	\$ 134,093	\$ 6,819,277
Appropriation and distribution of 2015 earnings											
Legal capital reserve				72,986		(72,986)			-		-
Cash dividends for common shares						(403,936)			(403,936)		(403,936)
Changes in other capital surplus											
Stock dividends from capital surplus	40,394		(40,394)						-		-
Net income for the year ended December 31, 2016						579,678			579,678	(33,068)	546,610
Other comprehensive income (loss) for the year ended December 31, 2016						(59,829)	(136,048)		(195,877)	(715)	(196,592)
Total comprehensive income	-	-	-	-	-	519,849	(136,048)	-	383,801	(33,783)	350,018
Balance as of December 31, 2016	2,083,252	-	1,407,558	684,163	102,158	2,561,335	(74,673)	(98,744)	6,665,049	100,310	6,765,359
Appropriation and distribution of 2016 earnings											
Legal capital reserve				57,968		(57,968)			-		-
Cash dividends for common shares						(412,254)			(412,254)		(412,254)
Changes in other capital surplus											
Share-based payment	4,550	665	33,781					98,744	137,740		137,740
Net income for the year ended December 31, 2017						734,589			734,589	11,956	746,545
Other comprehensive income (loss) for the year ended December 31, 2017						20,028	(18,301)		1,727	(54)	1,673
Total comprehensive income	-	-	-	-	-	754,617	(18,301)	-	736,316	11,902	748,218
Balance as of December 31, 2017	\$ 2,087,802	\$ 665	\$ 1,441,339	\$ 742,131	\$ 102,158	\$ 2,845,730	\$ (92,974)	\$ -	\$ 7,126,851	\$ 112,212	\$ 7,239,063

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 959,098	\$ 683,398
Adjustments:		
Non-cash income and expense items:		
Depreciation	273,700	267,893
Amortization	27,876	34,547
(Gain on reversal of) bad debt expense	8,967	(100,440)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	41,821	(25,515)
Interest expense	66,185	92,449
Interest income	(17,731)	(19,619)
Compensation cost relating to share-based payment	22,647	-
Loss (gain) on disposal of property, plant and equipment	418	(26)
Impairment loss on non-financial assets	-	8,686
Others	40,257	12,959
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss, current	(9,926)	8,808
Increase in notes receivable	(485,019)	(684,389)
Decrease in accounts receivable	39,320	891,119
(Increase) decrease in other receivables	(9,481)	258,091
Increase in inventories	(534,144)	(29,306)
Decrease (increase) in prepayments	5,943	(26,216)
Decrease in other current assets	542	15,623
Increase in other non-current assets	(4,719)	(8,530)
(Decrease) increase in notes payable	(177,569)	125,997
Increase in accounts payable	283,256	231,655
Increase (decrease) in other payables	97,262	(39,683)
(Decrease) increase in other current liabilities	(10,122)	9,582
Increase in net defined benefit liabilities	17,978	7,185
Increase (decrease) in other non-current liabilities	209	(1)
Cash generated from operations	<u>636,768</u>	<u>1,714,267</u>
Interest received	18,607	21,446
Interest paid	(64,929)	(91,792)
Income tax paid	<u>(166,045)</u>	<u>(148,069)</u>
Net cash generated by operating activities	<u>424,401</u>	<u>1,495,852</u>

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

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Acquisition of property, plant and equipment	\$ (357,753)	\$ (451,875)
Disposal of property, plant and equipment	444	832
Increase in refundable deposits	(389)	(6,595)
Acquisition of intangible assets	(22,546)	(18,751)
Decrease in other current assets - other financial assets, current	16,388	109,799
Net cash used in investing activities	<u>(363,856)</u>	<u>(366,590)</u>
Cash flows from financing activities:		
Increase in short-term loans	-	58,605
Decrease in short-term loans	(283,187)	-
Repayment of long-term loans	(515,102)	(420,936)
Decrease in lease payable	(341)	-
Distribution of cash dividends	(412,254)	(403,936)
Exercise of employee stock options	18,653	-
Purchase of treasury stocks by employees	96,440	-
Net cash used in financing activities	<u>(1,095,791)</u>	<u>(766,267)</u>
Effect of exchange rate changes on cash and cash equivalents	(12,686)	(110,022)
Net (decrease) increase in cash and cash equivalents	(1,047,932)	252,973
Cash and cash equivalents at beginning of period	2,982,208	2,729,235
Cash and cash equivalents at end of period	<u>\$ 1,934,276</u>	<u>\$ 2,982,208</u>

(Concluded)

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

Parent Company Only Financial Statements for the Years Ended December 31, 2017 and 2016

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 1,230,607	\$ 2,574,444
Financial assets at fair value through profit or loss, current	4, 6(2)	16,721	22,802
Notes receivable, net	4, 6(3)	9,858	7,344
Accounts receivable, net	4, 6(4)	498,477	407,495
Accounts receivable – related parties	6(4), 7	1,543,450	1,111,868
Other receivables		39,256	38,926
Other receivables – related parties	7	1,057,967	577,261
Inventories, net	4, 6(5)	752,378	520,989
Prepayments		28,674	27,536
Other current assets	8	24,025	23,776
Total current assets		<u>5,201,413</u>	<u>5,312,441</u>
Non-current assets			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	2,514,071	2,068,159
Property, plant and equipment	4, 6(8)	2,039,184	1,936,821
Intangible assets	4, 6(9)	45,372	36,897
Deferred income tax assets	4, 6(21)	99,874	126,425
Other non-current assets	4, 6(10)	10,755	11,248
Total non-current assets		<u>4,709,256</u>	<u>4,179,550</u>
Total assets		<u>\$ 9,910,669</u>	<u>\$ 9,491,991</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

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TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2017	December 31, 2016
Current liabilities			
Short-term loans	6(11)	\$ -	\$ 4,287
Financial liabilities at fair value through profit or loss, current	4, 6(12)	4,036	-
Accounts payable		1,574,207	1,342,665
Accounts payable – related parties	7	64,273	15,327
Other payables		533,921	482,576
Other payables – related parties	7	11,880	5,680
Current income tax liabilities	4, 6(21)	94,979	83,657
Current portion of long-term loans		19,091	-
Other current liabilities		1,922	2,038
Total current liabilities		<u>2,304,309</u>	<u>1,936,230</u>
Non-current liabilities			
Long-term loans	6(13)	119,091	541,321
Deferred income tax liabilities	4, 6(21)	176,294	159,115
Net defined benefit liabilities, non-current	4, 6(14)	184,124	190,276
Total non-current liabilities		<u>479,509</u>	<u>890,712</u>
Total liabilities		<u>2,783,818</u>	<u>2,826,942</u>
Equity			
Capital	6(15)		
Common stock		2,087,802	2,083,252
Capital collected in advance		665	-
Capital surplus	6(15)	1,441,339	1,407,558
Retained earnings			
Legal capital reserve		742,131	684,163
Special capital reserve		102,158	102,158
Unappropriated earnings		2,845,730	2,561,335
Total retained earnings		<u>3,690,019</u>	<u>3,347,656</u>
Others	4	(92,974)	(74,673)
Treasury stocks		-	(98,744)
Total equity		<u>7,126,851</u>	<u>6,665,049</u>
Total liabilities and equity		<u>\$ 9,910,669</u>	<u>\$ 9,491,991</u>

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Notes	2017	2016
Net revenue	4, 6(17), 7	\$ 7,383,077	\$ 6,712,397
Cost of revenue	4, 6(5), 6(19), 7	(5,884,638)	(5,407,622)
Gross profit		<u>1,498,439</u>	<u>1,304,775</u>
Realized sales profit or loss		8,945	2,899
Gross profit, net		<u>1,507,384</u>	<u>1,307,674</u>
Operating expenses	4, 6(19)		
Sales and marketing expenses		(203,557)	(179,888)
General and administrative expenses		(290,052)	(220,384)
Research and development expenses		(241,537)	(197,110)
Total operating expenses		<u>(735,146)</u>	<u>(597,382)</u>
Operating income		<u>772,238</u>	<u>710,292</u>
Non-operating income and expenses	6(20)		
Other income		39,164	155,718
Other gains and losses		(52,185)	(122,424)
Finance costs		(17,427)	(20,825)
Share of profit or loss of subsidiaries and associates under the equity method	4, 6(7)	161,428	316
Total non-operating income and expenses		<u>130,980</u>	<u>12,785</u>
Income before income tax		903,218	723,077
Income tax expense	4, 6(21)	(168,629)	(143,399)
Net income of continuing operations		<u>734,589</u>	<u>579,678</u>
Net income		<u>734,589</u>	<u>579,678</u>
Other comprehensive income (loss)	6(20)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		24,130	(72,083)
Income tax benefit (expense) related to components of other comprehensive income that will not be reclassified subsequently		(4,102)	12,254
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(22,050)	(163,913)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss	6(21)	3,749	27,865
Total other comprehensive income, net of tax		<u>1,727</u>	<u>(195,877)</u>
Total comprehensive income		<u>\$ 736,316</u>	<u>\$ 383,801</u>
Earnings per share (NT\$)	4, 6(22)		
Earnings per share - basic		<u>\$ 3.55</u>	<u>\$ 2.81</u>
Earnings per share - diluted		<u>\$ 3.53</u>	<u>\$ 2.79</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Retained Earnings						Others		Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Treasury Stocks	
Balance as of January 1, 2016	\$ 2,042,858	\$ -	\$ 1,447,952	\$ 611,177	\$ 102,158	\$ 2,518,408	\$ 61,375	\$ (98,744)	\$ 6,685,184
Appropriation and distribution of 2015 earnings									
Legal capital reserve				72,986		(72,986)			-
Cash dividends for common stocks						(403,936)			(403,936)
Changes in other capital surplus									
Stock dividends from capital surplus	40,394	-	(40,394)						-
Net income for the year ended December 31, 2016						579,678			579,678
Other comprehensive income (loss) for the year ended December 31, 2016						(59,829)	(136,048)		(195,877)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,849</u>	<u>(136,048)</u>	<u>-</u>	<u>383,801</u>
Balance as of December 31, 2016	<u>2,083,252</u>	<u>-</u>	<u>1,407,558</u>	<u>684,163</u>	<u>102,158</u>	<u>2,561,335</u>	<u>(74,673)</u>	<u>(98,744)</u>	<u>6,665,049</u>
Appropriation and distribution of 2016 earnings									
Legal capital reserve				57,968		(57,968)			-
Cash dividends for common stocks						(412,254)			(412,254)
Changes in other capital surplus									
Share-based payment	4,550	665	33,781					98,744	137,740
Net income for the year ended December 31, 2017						734,589			734,589
Other comprehensive income (loss) for the year ended December 31, 2017						20,028	(18,301)		1,727
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,617</u>	<u>(18,301)</u>	<u>-</u>	<u>736,316</u>
Balance as of December 31, 2017	<u>\$ 2,087,802</u>	<u>\$ 665</u>	<u>\$ 1,441,339</u>	<u>\$ 742,131</u>	<u>\$ 102,158</u>	<u>\$ 2,845,730</u>	<u>\$ (92,974)</u>	<u>\$ -</u>	<u>\$ 7,126,851</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 903,218	\$ 723,077
Adjustments:		
Non-cash income and expense items:		
Depreciation	181,007	153,254
Amortization	14,548	12,131
Gain on reversal of bad debt expense	(64,274)	(100,660)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	11,963	(9,834)
Interest expense	17,427	20,825
Interest income	(24,690)	(19,296)
Compensation cost relating to share-based payment	22,647	-
Share of profit/loss of subsidiaries and associates under the equity method	(161,428)	(316)
Others	(5,828)	8,899
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss, current	(1,846)	6,332
(Increase) decrease in notes receivable	(2,514)	4,453
(Increase) decrease in accounts receivable	(26,708)	299,383
Increase in accounts receivable – related parties	(431,582)	(67,240)
(Increase) decrease in other receivables	(1,206)	145,392
(Increase) decrease in other receivables – related parties	(480,706)	975,224
(Increase) decrease in inventories	(225,561)	79,419
Increase in prepayments	(1,138)	(8,705)
(Increase) decrease in other current assets	(190)	13,538
Increase (decrease) in accounts payable	231,542	(414,958)
Increase (decrease) in accounts payable – related parties	48,946	(92,240)
Increase in other payables	44,123	6,476
Increase in other payables – related parties	6,200	5,680
Decrease in other current liabilities	(20,510)	(9,353)
Increase in net defined benefit liabilities	17,978	7,185
Cash generated from operations	<u>51,418</u>	<u>1,738,666</u>
Interest received	25,566	21,122
Interest paid	(17,559)	(21,218)
Income tax paid	<u>(113,930)</u>	<u>(144,895)</u>
Net cash (used in) generated by operating activities	<u>(54,505)</u>	<u>1,593,675</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	\$ (286,140)	\$ -
Acquisition of property, plant and equipment	(276,043)	(387,843)
Disposal of property, plant and equipment	27	-
Increase in refundable deposits	(327)	(1,613)
Acquisition of intangible assets	(22,203)	(16,468)
Increase in other current assets - other financial assets, current	(59)	(31)
Net cash used in investing activities	(584,745)	(405,955)
 Cash flows from financing activities:		
Decrease in short-term loans	(4,287)	(94,080)
Repayment of long-term loans	(403,139)	(339,037)
Distribution of cash dividends	(412,254)	(403,936)
Exercise of employee stock options	18,653	-
Purchase of treasury stocks by employees	96,440	-
Net cash used in financing activities	(704,587)	(837,053)
 Net (decrease) increase in cash and cash equivalents	(1,343,837)	350,667
Cash and cash equivalents at beginning of period	2,574,444	2,223,777
Cash and cash equivalents at end of period	\$ 1,230,607	\$ 2,574,444

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)