



CHUNGHWA CHEMICAL SYNTHESIS & BIOTECH CO.,LTD

## Handbook for the 2017 Annual Meeting of Shareholders

Time: 9:00 a.m., Wednesday, May 31, 2017  
Location: 4F, No. 2, Xuzhou Road, Zhongzheng District, Taipei City  
(Room 401, NTUH International Convention Center)

**Note to Readers:**

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

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# **Chunghwa Chemical Synthesis & Biotech Co., Ltd.**

## **2016 Annual Shareholder Meeting Procedure**

1. Announcement of number of members attending the meeting and their shareholding
2. Commencement of the meeting
3. Chairperson's Remarks
4. Management Presentation
5. Proposals
6. Discussion
7. Questions and Motions
8. Adjournment

# **Chunghwa Chemical Synthesis & Biotech Co., Ltd.**

## **2017 Annual Shareholder Meeting**

Time: 9:00 a.m., Wednesday, May 31, 2017

Location: 4F, No. 2, Xuzhou Road, Zhongzheng District, Taipei City (Room 401, NTUH International Conference Center)

1. Announcement of number of members attending the meeting and their shareholding
2. Commencement of the meeting
3. Chairperson's Remarks
4. Management Presentation
  - (1) 2016 Business Report
  - (2) Audit committee's review report on the 2016 financial statements
  - (3) 2016 Employees' and directors' compensation report
  - (4) Other reports
5. Proposals
  - (1) 2016 Business report and financial statements
  - (2) Distribution of 2016 Profits
6. discussion
  - (1) Amendment to parts of the Company's "Operational Procedures for Acquisition or Disposal of Assets"
7. Questions and Motions
8. Adjournment

# Management Presentation

1. 2016 Business Report—see Appendix I (pp. 17–23)
2. Audit committee’s review report on the 2016 financial statements—see Appendix II (p. 24)
3. 2016 Employees' and directors' compensation report

Description: (1) The board of directors of the company resolved on Mar. 7, 2017 to pay NT\$10,395,804 as total employee compensation, and NT\$1,039,580 as the total directors compensation in cash.  
(2) The above mentioned figures are the same as the expenses of 2016.

4. Other reports

Description: (1) As per Article 172-1 of the Company Act, the company will accept proposals from shareholders during the period from Mar. 27 to Apr. 5, 2016.  
(2) No proposals from shareholders were received for this shareholders' meeting.

# Proposals

Case 1: Proposed by the Board of Directors

Case: Ratification of the 2016 Business Report and Financial Statements.

Description: 1. The 2016 Consolidated Financial Report and the parent company's only Financial Report as well as the Business Report have been reviewed by the Audit Committee and approved by the Board of Directors; the reports have also been audited by Certified Public Accountants Yu Shufen and Zhang Shuqiong of PwC Taiwan.

2. See Appendices1 (pp.17–23) and III (pp. 25–46) for details of the 2016 Business Report, Auditor report, Consolidated Financial Report and parent company's only Financial Report.

3. We request your kind ratification of the proposals.

Resolution:

Case 2: Proposed by the Board of Directors

Case: Ratification of the Proposal for Distribution of 2016 Profits

Description: 1. Ratification of the Proposal for Distribution of 2016 Profits.

2. See Appendix IV (p. 47) for details of Porfit distribution table.

3. The cash dividend per share will be NT\$0.5 this year. In the future, if the company buys back shares, transfers or retires treasury shares, or changes convertible bonds to ordinary shares, or employees purchase ordinary shares with stock option certificates that result in changes in the number of outstanding shares which will result in fluctuations in dividend distribution rates among shareholders or such changes have to be made as instructed by the authorities, the shareholders are be requested to authorize the Board of Directors to act suitably.

4. On porfit distribution, we request the 2017 Shareholders' Meeting to approve the resolution authorizing the Board of Directors to fix the ex-dividend date and also decide on porfit distribution.

Resolution:

## Discussion

Case 1: Proposed by the Board of Directors

Case: Amendment to parts of the Company's "Operational Procedures for Acquisition or Disposal of Assets"

Description: 1. The Shareholders' Meeting is requested to discuss the partial amendment to the company's "Operational Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

2. The provisions before and after amendment are as shown below.

Provisions after amendment	Current articles	Description
<p>Article 3. The assets referred to in this procedure include the following: 1~6 (Deleted) 7. Assets acquired or disposed of through mergers, demergers, acquisition or share transfer according to law: referring to assets acquired or disposed of as a consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to Paragraph 8, Article 156 of the Company Act. 8. (Deleted)</p>	<p>Article 3. The assets referred to in this procedure include the following: 1~6 (Deleted) 7. Assets acquired or disposed of through mergers, demergers, acquisitions or share transfer according to law: referring to assets acquired or disposed of as a consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to Paragraph 8, Article 156 of the Company Act. 8. (Deleted)</p>	<p>Certain wording revised in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p>Article 6. Assessment and operating procedures of acquisition or disposal of assets 1. Acquisition or disposal of securities (1) With securities acquired or disposed of at TWSE or TPEX, the underwriter is required to mention the reasons for acquisition or disposal, the objective in the transaction, and the basis for selling or buying at that price as well as offer a <u>reasonable</u> explanation to</p>	<p>Article 6. Assessment and operating procedure for acquisition or disposal of assets 1. Acquisition or disposal of securities (1) With securities acquired or disposed of at TWSE or TPEX, the underwriter is required to mention the reason for acquisition or disposal, the objective and explain to the authorities the basis for accepting the price for either selling or buying the asset. (2) With securities not acquired or disposed of at TWSE or TPEX, the underwriter is required to present to the authorities for final decision the objective for acquisition</p>	

Provisions after amendment	Current articles	Description
<p>the competent authority for a final decision.</p> <p>(2) With securities not acquired or disposed of at TWSE or TPEX, the underwriter is required to present the reasons for acquisition or disposal, the objective in question, information on the trading counterpart, the price, the payment terms and the basis for the price decision as well as a <u>reasonable</u> explanation to the competent authority for final decision.</p> <p>2-3 (Deleted)</p>	<p>or disposal, the objective for the decision, information on the trading counterpart, the price, payment terms and the basis for the decision on the price.</p> <p>2~3 (omitted)</p>	<p>Certain wording revised in accordance with Articles 14 and 15 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p>Article 7. Transaction term decision procedures</p> <p>1. Decision of prices of assets to acquire or dispose of and the basis of decision (1)~(2) (omitted)</p> <p>2. Acquisition or disposal of assets is for the competent authority to make the final decision within the power it is conferred.</p> <p>(1) Acquisition or disposal of securities:</p> <p>1. Each acquisition or disposal of long-term securities or the amount per day less than NT\$30 million may be approved by the chairperson and presented in the first board of director meeting afterwards for reference. If the amount exceeds NT\$30 million, it must be submitted to the Audit Committee and <u>approved by the majority of the committee</u> and <u>also ratified</u> by the board of directors before its execution.</p>	<p>Article 7. Transaction term decision procedures</p> <p>1. Decision of prices of assets to acquire or dispose of and the basis of decision (1)~(2) (omitted)</p> <p>2. Acquisition or disposal of assets is for the competent authority to make the final decision within the power it is conferred.</p> <p>(1) Acquisition or disposal of securities:</p> <p>1. Each acquisition or disposal of long-term securities or the amount per day less than NT\$30 million may be approved by the chairperson and presented in the first board of director meeting afterwards for reference. An analytic report on the unrealized profit or loss must also be presented. If the amount exceeds NT\$30 million, it must be presented to the board of directors for approval before it can be executed.</p> <p>2. Each acquisition or disposal of any other fixed asset valued less than (including) NT\$10 million is to be processed in accordance with establish approval authority regulations. If the amount exceeds NT\$10 million, it must be approved by the board of director before it can be executed.</p> <p>(2) Acquisition or disposal of real estate and other fixed assets:</p> <p>1. Each acquisition or disposal of real estate valued less than NT\$30</p>	<p>Certain wording revised in accordance with Articles 14 and 15 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>



Provisions after amendment	Current articles	Description
<p>2. When the value of a fixed asset acquisition or disposal is less than (including) NT\$10 million, it is to be processed in accordance with established regulations. If the amount exceeds NT\$10 million, it must be submitted to the Audit Committee <u>and approved by the majority of the committee and also</u> ratified by the board of directors before its execution.</p> <p>(2) Acquisition or disposal of real estate and other fixed assets:</p> <p>1. Every acquisition or disposal of real estate valued less than NT\$30 million is to be submitted for approval by the chairperson and also presented first to the board of directors for information. If the amount exceeds NT\$30 million, it must be submitted to the Audit Committee <u>and approved by the majority of the committee and also</u> ratified by the board of directors before its execution.</p> <p>2. When the amount of a fixed asset acquisition or disposal is less than (including) NT\$10 million, it is to be processed in</p>	<p>million is to be submitted for approval by the chairperson and also presented in the first board of director meeting afterwards for reference. If the amount exceeds NT\$30 million, it must be approved by the board of directors before it can be executed.</p> <p>2. Each acquisition or disposal of any other fixed asset valued less than (including) NT\$10 million is to be processed in accordance with establish approval authority regulations. If the amount exceeds NT\$10 million, it must be approved by the board of directors before execution.</p>	<p>Revision is in accordance with Articles 14 and 15 of the Securities and Exchange Act.</p>

Provisions after amendment	Current articles	Description
<p>accordance with the regulations of the established approval authority. If the amount exceeds NT\$10 million, it must be presented to the Audit Committee <u>and approved by the majority of the committee and also</u> ratified by the board of directors before its execution.</p>		<p>Certain wording is revised in accordance with Articles 14 and 15 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p>Article 8. Acquisition or disposal of assets by the Company is to be done after seeking expert opinion as per the type of assets and the following regulations:</p> <ol style="list-style-type: none"> <li>1. Besides transactions with government agencies, construction projects on the company's own or leased land, or acquisition or disposal of machine equipment for operating purposes, when the company acquires or disposes of real estate or other fixed assets valued at 20% of the company's paid-in capital or NT\$300 million or more, appraisal reports by professional appraisers need to be obtained prior to their acquisition or disposal and the procedure must also comply with the following regulations: (1)–(4) (deleted)</li> <li>2. Before the company acquires or disposes of securities, the issuing company's latest audited financial statement or one reviewed by a certified public accountant must be obtained to serve as reference for assessment of transaction price. If the transaction amount equals 20% or the company's paid-in capital or NT\$300 million or more, the</li> </ol>	<p>Article 8. Acquisition or disposal of assets by the Company needs reports from specialists commissioned by the company in accordance with the type of assets and the following regulations:</p> <ol style="list-style-type: none"> <li>1. While acquiring or disposing of real estate or equipment where the transaction amount is 20 % of the company's paid-in capital or NT\$300 million or more, the Company, except when transacting with a government agency, engaging others to build on its own land or on leased land, or acquiring or disposing of operating equipment, shall obtain an appraisal report prior to the date of transaction from a professional appraiser and the procedure will comply with the following provisions: (1)–(4) (deleted)</li> <li>2. Before the company acquires or disposes of securities, the issuing company's latest financial statement has to be audited or reviewed by a certified public accountant to serve as reference for assessment of price. If the transaction amount equals 20% of the company's paid-in capital or NT\$300 million or more, the assessment of a certified public accountant on the reasonableness of the transaction price is to be obtained. If the certified public accountant needs to give an expert report, he must comply with No. 20 of the Auditing Standards released by the Accounting Research and Development Foundation. However, if the securities in question are quoted on an active market or if the securities meet any of the following descriptions, there is no need for the abovementioned financial statement and accountants' assessment. (1) Securities acquired through cash in a</li> </ol>	

Provisions after amendment	Current articles	Description
<p>opinion of a certified public accountant on the reasonableness of the transaction price must be obtained. If the certified public accountant needs to give an expert report, he must comply with No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation. However, if the securities in question are quoted on an active market or if they meet any of the following descriptions, there is no need to obtain the abovementioned financial statement and accountants' opinions.</p> <p>(1) Securities acquired through cash in a corporation through promotion or through public offering <u>according to the Company Act, and the rights of the securities are commensurate with the funds to be invested</u></p> <p>(2) Securities issued at face value by an issuing company increasing its cash capital in accordance with relevant laws and regulations, with this Company serving as a sponsor of the issue.</p> <p>(3) Securities issued by an investee company wholly invested by this Company that is increasing its cash capital, with this Company serving as a sponsor of the issue.</p> <p>(4) The securities are listed and traded on the Taiwan Stock Exchange (TWSE) or on the Taipei Exchange (TPEX) and emerging stocks.</p> <p>(5) Government bonds or bonds entailing repurchase or</p>	<p>corporation through promotion or by public offering</p> <p>(2) Securities issued at face value by an issuing company increasing the capital in accordance with relevant laws and regulations, with this Corporation as a sponsor of the issue</p> <p>(3) Securities issued by an investee company wholly invested by this Company that is carrying out a cash capital increase, with this Company as a sponsor of the issue</p> <p>(4) The securities are listed and traded on the Taiwan Stock Exchange (TWSE) or on the Taipei Exchange (TPEX) and emerging stocks</p> <p>(5) Government bonds or bonds entailing repurchase or reverse purchase agreements</p> <p>(6) Domestic or overseas funds</p> <p>(7) TWSE or TPEX listed securities acquired or disposed of in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities</p> <p>(8) Securities acquired through this Corporation's sponsorship of a cash capital increase by a public company, when the securities acquired are not privately placed</p> <p>(9) Subscription to fund shares before the establishment of a fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and the Financial Supervisory Commission's 1 November 2004 Order No. Financial-Supervisory-Securities-IV-0930 005249</p> <p>(10) Subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund</p> <p>3. (Omitted)</p> <p>4. When acquiring or disposing of memberships or intangible assets worthy of 20 % of paid-in capital or more or NT\$300 million or more,</p>	<p>Certain wording needs revision in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

Provisions after amendment	Current articles	Description
<p>reverse purchase agreements.</p> <p>(6) Domestic or overseas mutual funds.</p> <p>(7) TWSE- or TPEX-listed securities acquired or disposed in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</p> <p>(8) Securities acquired through the Company's sponsorship of a cash capital increase by a public company <u>or domestic corporate bonds (including financial bonds) subscribed to</u>, and the securities acquired are not privately placed.</p> <p>(9) Subscription to the shares of domestic private placement fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, <u>or subscription or redemption of domestic private placement funds, provided the trust agrees and the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</u></p> <p>3. (Deleted)</p> <p>4. When acquiring or disposing of membership or intangible assets</p>	<p>except for transactions with government agencies, the company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.</p> <p>5. (Omitted)</p>	<p>Certain wording needs revision in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

Provisions after amendment	Current articles	Description
<p>worth 20 % of the paid-in capital or more or NT\$300 million or more, except for transactions with government agencies, the company shall seek the opinion of a certified public accountant prior to the date of occurrence of the event on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.</p> <p>5. (Deleted)</p>		<p>Revision of certain wording in accordance with Articles 14 and 15 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>
<p>Article 9. Related party transactions</p> <p>1. (Deleted)</p> <p>2. When the company plans to acquire or dispose of real estate from or to a related party, or when it plans to acquire or dispose of assets other than real estate from or to a related party and the transaction amount equals 20 % of the paid-in capital or more, 10 % of the company's total assets or more, or NT\$300 million or more, except transactions of government bonds or bonds under repurchase and resale agreements, or subscription to or <u>redemption</u> of domestic money market funds <u>issued by securities investment trust enterprises</u>, the company must present the following information to the Audit Committee and the transaction must be approved by the majority of the committee and also ratified by the board of directors before signing the contract and payments made. At the same time, Paragraphs 8 and 9 of Article 14 shall be applicable mutatis mutandis.</p> <p>(1)–(7) (Deleted)</p> <p>Calculation of the transaction amounts referred to in the preceding paragraph shall be</p>	<p>Article 9. Related party transactions</p> <p>1. (Deleted)</p> <p>2. When the company plans to acquire or dispose of real estate from or to a related party, or when it plans to acquire or dispose of assets other than real estate from or to a related party and the transaction amount equals 20 % of the paid-in capital or more, 10 % of the company's total assets or more, or NT\$300 million or more, except transactions of government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of domestic money market funds, the company must present the following information to the Audit Committee and the transaction must be approved by the majority of the committee and also ratified by the board of directors before signing the contract and payments made. At the same time, Paragraphs 8 and 9 of Article 14 will be applicable mutatis mutandis.</p> <p>(1)–(7) (Deleted)</p> <p>Calculation of the transaction amounts referred to in the preceding paragraph has to be made in accordance with Paragraph 2 of Article 13, and the phrase of "within one year" refers to the year preceding the date of the current transaction. Items that have been approved by the Audit Committee and ratified by the board not be concluded.</p> <p>When a matter is presented for discussion by the board of directors according to Paragraph 2 of this article, it shall consider each independent director's opinion. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the</p>	

Provisions after amendment	Current articles	Description
<p>made in accordance with Paragraph 2 of Article 13, and the phrase of "within one year" refers to the year preceding the date of the current transaction. Items that have been <u>approved by the Audit Committee</u> and ratified by the board need not be concluded.</p> <p>When a matter is presented for discussion by the board of directors according to Paragraph 2 of this article, it shall consider each independent director's opinion. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3~7 (Deleted)</p>	<p>board of directors meeting.</p> <p>3~7 (Deleted)</p>	<p>Certain wording needs revision in accordance with Articles 14 and 15 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p>Article 10. Acquisition or disposal of memberships, intangible assets or claims of financial institutions:</p> <p>1. When the company intends to acquire or dispose of membership or intangible assets and the transaction amount is less than NT\$3 million, it requires the approval of the chairperson and presented for at the first board of directors meeting thereafter. Transactions valued more than NT\$3 million shall <u>also be presented to the Audit Committee and approved by the majority of the committee and also ratified</u> by the board of directors before execution.</p> <p>2. In principle, the company does not engage in acquisition or disposal of claims of financial institutions. If it intends to do so in the future, such transactions must be presented to <u>the Audit Committee and approved by the majority of the committee and also ratified</u> by the board of directors before evaluation and operating procedures.</p>	<p>Article 10. Acquisition or disposal of membership, intangible assets or claims of financial institutions:</p> <p>1. When the company intends to acquire or dispose of membership or intangible assets and the transaction amount is less than NT\$3 million, the transaction needs the approval of the chairperson and also brought to the attention of the first board of directors meeting thereafter. . Transactions valued over NT\$3 million require the approval of the board of directors before execution.</p> <p>2. In principle, the company does not deal in acquisition or disposal of claims of financial institutions. If it does so in the future, such transactions must be presented to the Audit Committee and approved by the majority of the committee and also ratified by the board of directors before entering into evaluation and operating procedures.</p>	<p>Certain wording needs revision in</p>

Provisions after amendment	Current articles	Description
<p>Article 12. Corporate mergers, demergers, Acquisitions and Share transfers</p> <p>1. Before conducting a merger, demerger, acquisition, or transfer of shares and convening a board of directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, <u>and present it to the majority of the Audit Committee and also to the board of directors for discussion and ratification. However, if the intended merger is with a subsidiary whose outstanding shares or total capital are directly or indirectly wholly owned by the Company or the merger is between subsidiaries whose outstanding shares or total capital is directly or indirectly wholly owned by the Company, the aforementioned specialist's opinion is not be needed.</u></p> <p>2~10 (Deleted)</p>	<p>Article 12. Corporate mergers, demergers, Acquisitions and Share transfers</p> <p>1. Before a merger, demerger, acquisition, or transfer of shares and convening a board of directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter for an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders and present it to the board of directors for discussion and ratification.</p> <p>2~10 (Deleted)</p>	<p>accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p>Article 13. Information disclosure procedures</p> <p>1. When an asset acquisition or disposal involves one of the following situations, the Company shall act according to the nature of the transaction and follow the established procedures to report the transaction or disposal within two days of the event on the information-filing website designated by the Financial Supervisory Commission.</p> <p>(1) It is an acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party and the</p>	<p>Article 13. Information disclosure procedures</p> <p>1. When an asset acquisition or disposal involves one of the following situations, the Company shall act according to the nature of the transaction and follow the established procedures to report the transaction or disposal within two days after the event on the information-filing website designated by the Financial Supervisory Commission.</p> <p>(1) It is an acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party and the transaction amount equals 20 % of the paid-in capital or more, or 10 % of the company's total assets or more, or NT\$300 million or more Transactions of bonds under repurchase and resale agreements, or subscription to or redemption of domestic currency market funds are not involved.</p>	<p>Certain wording needs revision in</p>

Provisions after amendment	Current articles	Description
<p>transaction amount equals 20 % of the paid-in capital or more, 10 % of the company's total assets or more, or NT\$300 million or more. However, this does not apply to trading in government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds issued by securities investment trust enterprises.</u></p> <p>(2) The transaction is a merger, demerger, acquisition or transfer of shares.</p> <p>(3) The loss from derivatives trading reaches the upper limit on aggregate loss or individual contract loss set forth in the procedures followed by the Company.</p> <p>(4) The transaction is an acquisition or disposal of operating equipment, the counterpart is not a related party and the transaction amount equals one of the following thresholds:</p> <p><u>1. NT\$500 million or more for public companies with paid-in capital less than NT\$10 billion</u></p> <p><u>2. NT\$1 billion or more for public companies with paid-in capital of NT\$10 billion or more</u></p> <p>(5) The transaction is a construction project on the company's own land or leased land, or a joint construction project involving allocation of housing units, joint construction project involving allocation of ownership, ages, or joint construction and separate</p>	<p>(2) The transaction is a merger, demerger, acquisition or transfer of shares.</p> <p>(3) The loss from derivatives trading reaches the upper limit on aggregate loss or individual contract loss set forth in the procedures followed by the Company.</p> <p>(4) Asset trading, claims disposed by financial institutions and investments in the Chinese Mainland with transaction amounts achieving 20% of the Company's paid-in capital or more or NT\$300 million or more, the following situations are excluded:</p> <ol style="list-style-type: none"> <li>1. Trading of government bonds,</li> <li>2. Transactions of bonds under repurchase and resale agreements, or subscription to or redemption of domestic currency market funds,</li> <li>3. The transaction is an acquisition or disposal of operating equipment, the counterpart is not a related party and the transaction amount reaches NT\$500 million or more,</li> <li>4. The transaction is a construction project on the company's own land or leased land, or a joint construction project involving allocation of housing units, joint construction project involving allocation of ownership %ages, or joint construction and separate sales, and the transaction amount is less than NT\$500 million (the amount the Company expects to invest).</li> </ol> <p>2~3 (Deleted)</p> <p>4. When the Company has to correct an error or an omission made at the time of public announcement as required according to regulations, all the items shall be publicly stated again.</p> <p>5 - 6 (Deleted)</p>	<p>accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>Revision in accordance with Articles 14 and 15 of</p>



Provisions after amendment	Current articles	Description
<p>sales, and the amount the <u>company expects to invest</u> in the transaction is more than NT\$500 million.</p> <p>(6) The transaction is asset trading, claims disposed of by a financial institution or investment in mainland China and the amount equals 20% of the Company's paid-in capital or more or NT\$300 million or more. The following situations are excluded:</p> <ol style="list-style-type: none"> <li>1. Trading in government bonds</li> <li>2. Transactions in bonds under repurchase and resale agreements, or subscription to or <u>redemption</u> of domestic money market funds <u>issued by domestic securities investment trust enterprises.</u></li> </ol> <p>2~3 (Deleted)</p> <p>4. When the Company needs to correct an error or an omission made at the time of public announcement as required according to regulations, all the items shall be publicly stated again <u>within two days of the detection of the mistake.</u></p> <p>5 - 6 (Deleted)</p>		<p>the Securities and Exchange Act.</p>
<p>Article 14. Other matters</p> <p>1~7 (Deleted)</p> <p>8. If approval by the majority of the Audit Committee as required in the preceding paragraph is not obtained, approval by more than two-thirds of all the directors may be obtained instead and the resolution recorded in the minutes of the board of directors meeting. <u>Paragraph 2 of Article</u></p>	<p>Article 14. Other matters</p> <p>1~7 (Deleted)</p> <p>8. If approval by the majority of the Audit Committee as required in the preceding paragraph is not obtained, approval by more than two-thirds of all the directors may be required instead and the resolution recorded in the minutes of the board of directors meeting.</p> <p>9 (Deleted)</p>	

Provisions after amendment	Current articles	Description
<u>7, Paragraph 2 of Article 9, Article 10 and Paragraph 1 of Article 12 of the Disposal Procedure shall apply mutatis mutandis.</u> 9 (Deleted)		

Resolution:

## Questions and Motions

### Adjournment

# Appendices

## Appendix I

### Business Report

#### 1. 2016 Business Report

##### (1) Results of business plan implementation:

The consolidated revenue of the Company in 2016 was NT\$ 1,198,670 thousand (the same currency applies hereinafter). Compared to the previous year, this reflects only a marginal increase of 3.14% mainly because the new products EPAE and EVE were still PIV products. The R&D of our client in the US is nearly complete, and so the purchases declined significantly. Once the client releases the product, the purchases will grow significantly. The revenue growth in 2016 mainly came from PVTS, an active pharmaceutical ingredient for hypolipidemic drugs, and immunosuppressive agents MMF and RAPA. The selling prices dropped slightly, but sales increased by 18%, 26% and 72%, respectively. The sales income and gross profit of the parent company in 2016 were NT\$ 1,159,773 thousand and NT\$ 391,325 thousand, growing by 0.97% and 4.17% from NT\$ 1,148,686 thousand and NT\$375,650 thousand in 2015. Net income after tax is NT \$ 60,283 thousand.

##### (2) Budget execution:

###### 1. Consolidated budget execution:

Units: Thousand NT\$; %

Item	Annual budget	Actual amount	Achievement rate
Operating revenue	1,257,693	1,198,670	95.31
Operating cost	800,510	784,208	97.96
Gross Profit	457,183	414,462	90.66
Operating Expenses	322,581	316,332	98.06
Operating Income	134,602	98,130	72.90
Profit before tax	143,078	93,089	65.06

###### 2. Individual budget execution:

Units: Thousand NT\$; %

Item	Annual budget	Actual amount	Achievement rate
Operating revenue	1,232,428	1,159,773	94.10
Operating cost	783,948	768,667	98.05
Plus the realized profit of the affiliates	—	219	—

Gross Profit	448,480	391,325	87.26
Operating Expenses	301,374	295,395	98.02
Operating Income	147,106	95,930	65.21
Profit before tax	155,582	92,523	59.47

(3) Financial balance and profitability analysis:

1. Consolidated financial balance:

Units: Thousand NT\$

Item	Amount
Operating revenue	1,198,670
Gross Profit	414,462
Operating profit and loss	98,130
Interest income	145
Interest expense	6,564
Capitalized interest	-
Income before tax	93,089
Income after tax	60,183
Earnings per share	NT\$0.78

2. Parent company's financial balance:

Units: Thousand NT\$

Item	Amount
Operating revenue	1,159,773
Gross Profit	391,325
Operating profit and loss	95,930
Interest income	93
Interest expense	6,564
Capitalized interest	-
Income before tax	92,523
Income after tax	60,283
Earnings per share	NT\$0.78

3. Consolidated profitability analysis

Unit: %

Item	Ratio
Return on Total Assets	2.34
Return on Equity	3.31
Ratio of pre-tax net income to paid-in capital	12.00
Net Profit Margin	5.02
Earnings Per Share	NT\$0.78
Earnings per share—retrospective adjustment	NT\$0.78

#### 4. Parent company profitability analysis

Unit: %

Item	Ratio
Return on Total Assets	2.36
Return on Equity	3.34
Ratio of pre-tax net income to paid-in capital	11.92
Net Profit Margin	5.19
Earnings Per Share	NT\$0.78
Earnings per share—retrospective adjustment	NT\$0.78

#### (4) R&D status:

##### 1. Synthesis Research Institute

- (1) Completion of a new production process for Caspofungin, an active pharmaceutical ingredient for antifungal agents, to lower production costs and increase product competitiveness,
- (2) Completion of the production process for the new product, Carfilzomib, an active pharmaceutical ingredient for anti-myeloma drugs,
- (3) Development of Sacubitril Sodium, a new active pharmaceutical ingredient for heart failure drugs,
- (4) Development of Ixazomib Citrate, a new active pharmaceutical ingredient for multiple myeloma drugs.

##### 2. Biotech Research Institute

- (1) Production of three batches of Pneumocandin B0 with effects completed.
- (2) Completion of lab production process scale-up for Teduglutide, an active pharmaceutical ingredient for peptides, achieving a purity of 95%; onsite process scale-up scheduled for 2017.
- (3) Lab production process scale-up for Edoxaban, an active pharmaceutical ingredient for oral coagulants with purity of 99.5% completed. The preparation for four standard adulterants for effect analysis and confirmation was completed, as well as the enhancement of compliance with drug master file (DMF) regulations and requirements.

#### 2. Outline of 2017 Business Plan

- (1) Management guidelines and production and marketing policies:

## 1. Finding international markets and new clients

- (1) Continuing business efforts in the US market to find new clients and also deploying in the Japanese and European markets through agents who are on good terms with the Company.
- (2) Ascertaining governments of different countries that encourage development of generic drugs to reduce medical expenses and entering of the generic drug markets in developed countries like Japan and European nations.
- (3) Completing the R&D process for new products Everolimus and Edoxaban to make them available on the market. Orders from existing clients and new clients will benefit the revenues in 2017.
- (4) Improving the sales of the existing niche products, namely Pravastatin, Rapamycin, Everolimus, and Caspofungin, an active pharmaceutical ingredient for anti-fungal infection drugs.

## 2. Contracts for OEM operations and technical development for domestic and overseas businesses

- (1) Increasing CDMO/CMO revenues and improving production line utilization ratios and technical capability;
- (2) Finding out opportunities to engage in active pharmaceutical ingredient processing (OEM) work for international pharmaceutical companies and new biotech drug development companies as also upgrade related technologies and prepare for participation in R&D of new drugs with international pharmaceutical companies.

## 3. Product development strategy

- (1) Choice and development of potential new products
  - Increasing the utilization ratio of established independent highly active product production sections, developing a highly active drug technology platform and supplying challenging new PIV active pharmaceutical ingredients;
  - Making customer-oriented product choices and developing close cooperation with international generic drug makers to provide R&D and production service in line with the needs of clients to increase opportunities for successful development of PIV products;
- (2) Modifying the existing production processes to lower production

costs and improve product competitiveness.

4. Maintain international competitiveness and the existing edge in the active pharmaceutical ingredient industry

- (1) Enhance and implement the cGMP execution capacity;
- (2) Passing of cGMP plant inspections by domestic and overseas clients and countries where our products are exported to;
- (3) Consolidate corporate image to improve the trust and satisfaction of domestic and overseas clients.

(2) Anticipated sales and basis of expectation

The Company's sales estimate for 2017 is based on its market deployment, international biotech product promotion and the estimates made in accordance with the plans made to increase CDMO/COM revenues.

Unit: KG

Products	Biotech products	Non-biotech products	Total
Sales	53,350	275,597	328,947

3. Company's future development strategy

- (1) Improving the Company's niche products and investing further efforts in products the Company's produce with unique chemical synthesis and fermentation techniques, including Pravastatin, Rapamycin, Tacrolimus, Mycophenolate, Mofetil and Everolimus, to differentiate them from competitors in possession of only chemical synthesis or fermentation techniques, and continuing to invest in R&D energy improvements to supply new and active pharmaceutical ingredients to clients in the US as well as develop the PIV market;
- (2) Developing unique techniques and special products, such as anti-cancer or high-potency products with high gross profit, to facilitate new client development and achieve the goal of product differentiation;
- (3) Developing CDMO operations to seek opportunities in new drug R&D

projects of big pharmaceutical companies in and outside the country and improve relations on R&D on intermediates during preclinical and different clinical stages, test-production of products and production process development to enter into strategic alliance with big pharmaceutical companies;

(4) Compliance with related laws and regulations and improve plant inspections on raw material and active intermediate pharmaceutical ingredient suppliers to ensure upstream suppliers abide by laws and regulations and the raw materials comply with the latest standards of the FDA of each country and the supplies are sufficient to ensure the quality of the Company's products;

(5) Developing solvent-recycling technologies to meet increasingly stricter environmental protection requirements and also introduce various management mechanisms to lower waste and discharge to reduce operating costs and meet social obligations of being eco-friendly.

4. Impacts from external competition, laws and regulations and the overall management environment:

All the active pharmaceutical ingredient makers in Taiwan are in export business and are affected by exchange rate fluctuations and competition. Global economy will face even more drastic challenges in 2017. The fight among the US dollar, Euro, Japanese yen and RMB, the interest rate adjustments made by the US Federal Reserve and fluctuations in oil prices will continue to affect the global economy and it is difficult to predict what developments will take place. Price pressure on drugs, competition in generic drugs after patent expiration and sluggish development in new products will be obstacles to the growth of the drug market. However, as the problem of aging society worsens around the world, medical expenses will increase and push the drug market to grow. The value of the generic drug market in 2015 was US\$200.2 billion and is expected to reach US\$380.6 billion by 2021, increasing at a compounded annual growth rate (CAGR) of 10.8%.

Both the quality and quantity of Chinese and Indian active pharmaceutical ingredient plants have been increasing rapidly. The non-cGMP-controlled market particularly is facing price-cutting and competition while price ethics and order have been sabotaged repeatedly and competition is fierce. However, as a result of tightened plant inspections by EU and US FDA on Chinese and Indian



pharmaceutical plants and increasing drug safety awareness across the globe, the demand for stricter cGMP is growing and the demand for quality active pharmaceutical ingredients has reached a new high. Higher thresholds actually suggest opportunities for Chunghwa Chemical Synthesis & Biotech Co., Ltd. because of its solid cGMP foundation. We will spare no effort to maintain our competitiveness as well as perfect our R&D techniques and develop new products with market potential to continue to grow steadily in and outside the country.

## Appendix II

### Chunghwa Chemical Synthesis & Biotech Co., Ltd.

#### Audit Committee's Review Report

The Board of Directors will prepare and submit this Company's 2016 business report, financial statement (including individual and consolidated financial report) and proposal for distribution of profit. The financial reports (including individual and consolidated financial reports) have been audited by Certified Public Accountants Yu Shufen and Zhang Shuqiong of PwC Taiwan. They also have given an audit report. The Audit Committee has also reviewed these reports and the proposal for distribution of profit and found no inconsistencies. Therefore, the Audit Committee has acted in accordance with Article 14-4 of the Securities and Exchange Act and Article 119 of the Company Act and provided the report above.

To

2017 Shareholder Meeting of Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committee Convener: Kuo-Chiang Wang

March 7, 2017

## Appendix III

Accountant's Audit Report

(106) Cai-Shen-Bao-Zi No. 16003634

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

### **Comments from Auditors**

We have audited the consolidated balance sheets for the years ending on Dec. 31 of 2016 and 2015, as well as the consolidated income statements, consolidated statements of modifications in equity, consolidated cash flow statements and notes to the consolidated financial statements (including summary of significant accounting policies) for the periods from January 1 to December 31 of 2016 and 2015 of Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries (hereinafter referred to as Chunghwa Group).

In our opinion, we found all significant aspects of the above consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers", the International Financial Reporting Standards, International Accounting Standards, interpretations and interpretation of announcements the Financial Supervisory Commission. Therefore, they the consolidated financial status of Chunghwa Group on the years ending on December 31 of 2016 and 2015 and also the group's consolidated financial performance and consolidated financial flow between January 1 and December 31 of 2016 and 2015.

### **Basis for auditor opinion**

We have audited the work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Our responsibility as specified in the said regulations and standards are explained in the section on "Responsibility of certified public accountants when auditing consolidated financial statements". Our personnel, who are subject to independent regulations, have acted as per the ROC CPA Code of Professional Ethics to remain neutral while fulfilling their duties set forth in the Code. We are convinced that we have received enough and appropriate proof as audit evidence as the basis for our auditor's opinion given here.

### **Key audit matters**

The key audit matters that we consider the most important according to our professional judgment when auditing the consolidated financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. for 2016. We have no personal views on any of the matters.

## **Accounting assessment of inventory valuation**

### Description

See Note 4 (12) of the consolidated financial report of the accounting policy on inventory valuation, Note 5 (2) for the accounting assessment and hypothetical uncertainty on inventory valuation and Note 6 (3) for the description of the inventory account.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sale of active pharmaceutical ingredients. As drug tests grow stricter and drug certificates take longer time to obtain, the risk of inventory loss or obsolescence becomes higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify the expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit matter.

### Corresponding auditing procedures

The corresponding auditing procedures followed for specific aspects in the abovementioned key audit matters are as follows:

1. Assessing the policy to reduce inventory in accordance with our understanding of the company's operations and the nature of the business.
2. Performing sampling tests to see if market prices of net realized value are consistent with the company's policy and randomly examine the accuracy of the selling price of individual inventory parts and the way the net realized value is calculated.
3. Obtain from the management the inventory of individually identified expired goods and randomly inspect the input to match the records

## **Checking whether the sales income recognition time points were appropriate**

### Matter description

See Note 4 (26) to the consolidated financial report for the accounting policy on income. As stated in the accounting policy, the income is considered only after the goods have been handed over to the buyer and the funds can be assessed and are likely to accrue to the Company in the foreseeable future. As exports are the main source of income of Chunghwa Chemical Synthesis & Biotech Co., Ltd., terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and is likely to make it difficult for income assessment periods. Therefore, we regard the sales income assessment periods to be key audit matter.

### Corresponding auditing procedures

The corresponding auditing procedures we undertook for the specific aspects described in the abovementioned key audit matters are as follows:

1. The group's operating procedure for and internal control on income recognition time points were examined and assessed while the company's internal control on sales deadlines was tested to verify the correctness of the income assessment periods.
2. Execution of sales and income at a certain period before and after the timelines covered in the financial report were examined with the packing lists, customer orders and declaration forms to confirm that income assessment was at appropriate periods.

### **Other matters—parent company only financial reports**

Chunghwa Chemical Synthesis and Biotech Co., Ltd. have established parent company only financial reports for 2016 and 2015 and we have released the auditor's report for reference without any opinion.

### **The responsibility of the management and governance units for the parent company only financial statements**

The responsibility of the management is to provide financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to properly state the company's financial status and also to maintain necessary internal control to ensure such financial statements did not contain any false content as a result of fraudulence or mistakes.

While preparing the consolidated financial statements, the management has responsibility to assess the capacity of Chunghwa Chemical Synthesis & Biotech to continue their operations, disclose the related matters and the accounting practices to be followed unless the management wanted to liquidate or suspend their businesses if there was no other option.

The governance units (including the Audit Committee) have responsibility to supervise the preparation of financial statement.

### **The responsibility of certified public accountants when auditing consolidated financial statements**

Our objective in auditing the consolidated financial statements was to ascertain whether they contained any false information due to fraudulent activities or genuine errors and if they were reasonably reliable to release the auditor's report. Reasonably reliable means highly reliable.

However, the auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee the detection of significant false content in the parent company only financial statements. False content might have originated from either errors or fraudulence. If the sums involved are likely to affect the financial decision-making of users of the consolidated financial statements such false content would be significant. We have conducted the auditing work according to audit standards generally accepted in the ROC and also exercised our professional judgment and are professionally skeptical. We have executed the following tasks:

1. Identifying and evaluating likely risks from significant false content in the consolidated financial statements as a result of fraudulence or errors, designing and executing proper counter-measures against risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis for the auditor's report. As fraudulence may involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false content resulting from fraudulence is higher than the risk of failing to identify those emanating from errors.
2. Gaining necessary knowledge about the internal control mechanism that is closely related to auditing work and designing an appropriate audit procedure without expressing any opinion about the internal controls of Chunghwa Group.
3. Evaluating the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting assessment and related disclosures.
4. Based on audit evidence, the appropriateness of following the same accounting procedures and if any significant doubt exists about the capacity of Chunghwa Group to continue to operate or if any significant uncertainty existed we point out in the auditor's report for related disclosures, if inappropriate, in the consolidated financial statements. Our conclusion was arrived at on audit evidence submitted prior to the deadline for the auditor's report. However, future events or situations might affect the Chunghwa Group to lose control of the operation.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including related notes) and if the consolidated financial statements could appropriately reflect the related transactions and events.
6. Obtaining sufficient and appropriate audit evidence in regard to the finance of the individual entities in the group for our opinion on the consolidated financial statements. We were responsible for guiding, supervising and executing the audit work for the group and also establishing the auditor's opinion.

We have communicated with the governance units on the planned audit range and time and important audit observations (including significant internal control shortcomings found during the audit process).

We assured the governance units about the personnel of our accounting firm, who are subject to independent regulations, acting according to the ROC CPA Code of Professional Ethics to remain neutral and also communicated with them about all relations and other matters (including related preventive measures) that could affect the independence of certified public accountants.

Based on our discussions with the governance units, we have identified the key audit matters while auditing the 2016 consolidated financial statement. We have clearly outlined them in the auditor's report except of those matters whose public disclosure is prohibited by law or under some extremely rare circumstances if they could affect the company negatively. Effects that would be greater than public good they might benefit.

PricewaterhouseCoopers, Taiwan

March 7, 2017

Note to Readers

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2016 and 2015

Unit: NT\$'000

Assets	2016	16	2015	15
Assets	A	m	o	u
Assets	n	t	%	%
<b>Current Asset</b>				
1100 Cash and Cash Equivalents	\$	143,080	5	\$ 190,266 7
1150 Net notes receivable		621	-	1,054 -
1170 Net accounts collectible		160,584	6	226,071 8
1180 Accounts receivable from related parties (net)		12,555	1	2,327 -
1200 Other Receivables		6,642	-	13,604 -
130X Inventory		401,754	15	430,647 15
1410 Prepayment		3,532	-	525 -
11XX <b>Total current assets</b>		<u>728,768</u>	<u>27</u>	<u>864,494 30</u>
<b>Non-current Assets</b>				
1523 Available-for-sale financial assets—noncurrent		91,512	3	99,306 4
1543 Financial assets carried at cost—noncurrent		33,115	1	33,115 1
1600 Property, plant and equipment		1,837,806	68	1,838,916 64
1760 Net investment properties		10,700	-	10,700 -
1780 Intangible assets		214	-	1,297 -
1840 Deferred income tax assets		13,076	1	17,291 1
1900 Other noncurrent assets		10,451	-	5,514 -
15XX <b>Total Non-Current Assets</b>		<u>1,996,874</u>	<u>73</u>	<u>2,006,139 70</u>
1XXX <b>Total assets</b>	\$	<u>2,725,642</u>	<u>100</u>	\$ <u>2,870,633 100</u>

(To be continued)



Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated balance sheet  
December 31, 2016 and 2015

Unit: NT\$'000

<u>Liability and Shareholder's Equity</u>		<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>	
		<u>A</u>	<u>m</u>	<u>o</u>	<u>u</u>	<u>A</u>	<u>m</u>	<u>o</u>	<u>u</u>	
		<u>n t</u>				<u>%</u>	<u>n t</u>			
						<u>%</u>				
<b>Current Liability</b>										
2100	Short-term loan	\$		210,000	8	\$		190,000	7	
2110	Short-term notes and bills payable			169,898	6			189,866	6	
2150	Notes payable			345	-			360	-	
2170	Accounts payable			70,676	3			62,338	2	
2200	Other payables to subsidiaries			111,645	4			114,679	4	
2230	Current income tax liabilities			15,605	-			24,113	1	
2320	Long-term liabilities due within one year or one operating cycle			30,000	1			50,000	2	
2399	Other current liabilities—others			3,389	-			3,745	-	
21XX	<b>Total current liabilities</b>			<u>611,558</u>	<u>22</u>			<u>635,101</u>	<u>22</u>	
<b>Non-current Liabilities</b>										
2540	Long-term loans			100,000	4			130,000	5	
2570	Deferred income tax liabilities			242,651	9			241,472	8	
2600	Other noncurrent liabilities			266	-			266	-	
25XX	<b>Total noncurrent liabilities</b>			<u>342,917</u>	<u>13</u>			<u>371,738</u>	<u>13</u>	
2XXX	<b>Total liabilities</b>			<u>954,475</u>	<u>35</u>			<u>1,006,839</u>	<u>35</u>	
<b>Equity attributable to owners of the parent Company</b>										
<b>Share Capital</b>										
3110	Capital of the Common Stock			775,600	28			775,600	27	
<b>Capital Surplus</b>										
3200	Capital Surplus			334,323	12			334,323	12	
<b>Retained Earnings</b>										
3310	Statutory Surplus Reserve			121,314	4			90,478	3	
3320	Special Surplus Reserve			183,296	7			183,296	6	
3350	Undistributed Earnings			367,379	14			455,031	16	
<b>Other Equity</b>										
3400	Other Equity			(11,039)	-			(3,018)	-	
31XX	<b>Equity attributable to owners of the parent company</b>			<u>1,770,873</u>	<u>65</u>			<u>1,835,710</u>	<u>64</u>	
36XX	<b>Non-controlling Interests</b>			<u>294</u>	<u>-</u>			<u>28,084</u>	<u>1</u>	
3XXX	<b>Total Equity</b>			<u>1,771,167</u>	<u>65</u>			<u>1,863,794</u>	<u>65</u>	
<b>Significant contingent liabilities and unrecognized commitments</b>										
<b>Significant subsequent events</b>										
3X2X	<b>Total liabilities and equity</b>	\$		<u>2,725,642</u>	<u>100</u>	\$		<u>2,870,633</u>	<u>100</u>	

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Consolidated income statement  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

(Except the unit of earnings per share which is in NT dollar)

Item	2016		2015	
	A m o u n t	%	A m o u n t	%
4000 <b>Operating revenue</b>	\$ 1,198,670	100	\$ 1,162,211	100
5000 <b>Operating cost</b>	( 784,208)	( 66)	( 755,738)	( 65)
5900 <b>Gross Profit</b>	<u>414,462</u>	<u>34</u>	<u>406,473</u>	<u>35</u>
<b>Operating Expenses</b>				
6100 Marketing Expenses	( 86,138)	( 7)	( 97,459)	( 8)
6200 Administrative Expenses	( 83,791)	( 7)	( 77,628)	( 7)
6300 R&D Expenses	( 146,403)	( 12)	( 131,871)	( 11)
6000 <b>Total Operational Expenses</b>	<u>( 316,332)</u>	<u>( 26)</u>	<u>( 306,958)</u>	<u>( 26)</u>
6900 <b>Operating Income</b>	<u>98,130</u>	<u>8</u>	<u>99,515</u>	<u>9</u>
<b>Non-Operating Income and Expenses</b>				
7010 Other income	8,584	1	15,993	1
7020 Other income	( 7,061)	( 1)	228,971	20
7050 Financing Cost	( 6,564)	-	( 8,373)	( 1)
7000 <b>Total Non-operating Income and Expenses</b>	<u>( 5,041)</u>	<u>-</u>	<u>236,591</u>	<u>20</u>
7900 <b>Net income before tax (Note 4 and 22)</b>	93,089	8	336,106	29
7950 Income tax expense	( 32,906)	( 3)	( 27,795)	( 3)
8200 <b>Net income</b>	<u>\$ 60,183</u>	<u>5</u>	<u>\$ 308,311</u>	<u>26</u>
<b>Other comprehensive income (net)</b>				
8311 Reassessment of defined benefit plans	(\$ 914)	-	(\$ 2,901)	-
8349 Income taxes relating to items not reclassified	155	-	493	-
8310 <b>Total amount of items not reclassified subsequently to profit or income</b>	<u>( 759)</u>	<u>-</u>	<u>( 2,408)</u>	<u>-</u>
<b>Items reclassified for profit or loss</b>				
8361 Conversion difference of financial statements of foreign operations	( 231)	-	689	-
8362 Unrealized gain or loss on available-for-sale financial assets	( 7,794)	( 1)	( 3,268)	-
8360 <b>Total amount of items reclassified subsequently to profit or loss</b>	<u>( 8,025)</u>	<u>( 1)</u>	<u>( 2,579)</u>	<u>-</u>
8300 <b>Other comprehensive income (net)</b>	<u>(\$ 8,784)</u>	<u>( 1)</u>	<u>(\$ 4,987)</u>	<u>-</u>
8500 <b>Total comprehensive income (loss)</b>	<u>\$ 51,399</u>	<u>4</u>	<u>\$ 303,324</u>	<u>26</u>
<b>Profit attributable to:</b>				
8510 Owners of the parent company	\$ 60,283	5	\$ 308,356	26
8520 Non-controlling Interests	(\$ 100)	-	(\$ 45)	-
<b>Total comprehensive income attributable to:</b>				
8710 Owners of the parent company	\$ 51,503	4	\$ 303,355	26
8720 Non-controlling Interests	(\$ 104)	-	(\$ 31)	-
<b>Earnings Per Share</b>				
9750 <b>Basic earnings per share</b>	\$	0.78	\$	3.98
9850 <b>Diluted earnings per share</b>	\$	0.77	\$	3.96

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
 Consolidated statement of changes in equity  
 January 1 to December 31, 2016 and 2015

Unit: NTS'000

	Equity attributable to the owners of parent company						O t h e r E q u i t y		Total	Non-controlli ng Interests	Total equity
	C a p i t a l S u r p l u s			Retained Earnings							
	Capital of Common Stock	Issue premium	Others	Statutory surplus Reserve	Special Surplus Reserve	Undistributed Earnings	The exchange difference in the financial statement conversion of foreign operated organizations	Unrealized gain or loss on available-for-s ale financial assets Unrealized financial asset gains/losses			
<u>2015</u>											
Balance as on Jan. 1, 2015	\$ 775,600	\$ 333,746	\$ 577	\$ 89,019	\$ 183,296	\$ 189,322	\$ 426	(\$ 851 )	\$ 1,571,135	\$ 44,791	\$ 1,615,926
2014 Profit distribution:											
Statutory Surplus Reserve	-	-	-	1,459	-	( 1,459 )	-	-	-	-	-
Cash Dividend	-	-	-	-	-	( 38,780 )	-	-	( 38,780 )	-	( 38,780 )
Net income	-	-	-	-	-	308,356	-	-	308,356	( 45 )	308,311
Total Other Comprehensive Income for The Year (after tax)	-	-	-	-	-	( 2,408 )	675	( 3,268 )	( 5,001 )	14	( 4,987 )
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	( 16,676 )	( 16,676 )
Balance as of Dec. 31, 2015	<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 90,478</u>	<u>\$ 183,296</u>	<u>\$ 455,031</u>	<u>\$ 1,101</u>	<u>(\$ 4,119 )</u>	<u>\$ 1,835,710</u>	<u>\$ 28,084</u>	<u>\$ 1,863,794</u>
<u>2016</u>											
Balance as on Jan. 1, 2016	\$ 775,600	\$ 333,746	\$ 577	\$ 90,478	\$ 183,296	\$ 455,031	\$ 1,101	(\$ 4,119 )	\$ 1,835,710	\$ 28,084	\$ 1,863,794
Appropriation and distribution of retained earnings in 2015											
Statutory Surplus Reserve	-	-	-	30,836	-	( 30,836 )	-	-	-	-	-
Cash Dividend	-	-	-	-	-	( 116,340 )	-	-	( 116,340 )	-	( 116,340 )
Net income	-	-	-	-	-	60,283	-	-	60,283	( 100 )	60,183
Total Other Comprehensive Income for The Year (after tax)	-	-	-	-	-	( 759 )	( 227 )	( 7,794 )	( 8,780 )	( 4 )	( 8,784 )
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	( 27,686 )	( 27,686 )
Balance as on Dec. 31, 2016	<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 121,314</u>	<u>\$ 183,296</u>	<u>\$ 367,379</u>	<u>\$ 874</u>	<u>(\$ 11,913 )</u>	<u>\$ 1,770,873</u>	<u>\$ 294</u>	<u>\$ 1,771,167</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

	<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
<u>Cash flow from operating activities</u>								
Current net profit before tax	\$		93,089		\$		336,106	
Adjusted items								
Income and expense items								
Depreciation expense			113,426				101,115	
Amortization expense			1,285				1,717	
Interest expense			6,564				8,373	
Interest Income	(		145)	(			404)	
Dividend income	(		3,017)	(			3,017)	
Disposition of plant, property and equipment	(		250)				-	
Income from disposal of noncurrent assets held for sale			-	(			233,088)	
Amount derived from property, plant and equipment re-enumeration			1,536				1,482	
Financial asset impairment loss			-				7,317	
Changes in assets and liabilities relating to operating activities								
Net change in assets relating to operating activities								
Net notes receivable			433				391	
Net accounts collectable			65,487	(			124,633)	
Accounts receivable—related parties (net)	(		10,228)				10,068	
Other Receivables	(		1,626)	(			613)	
Inventory			28,893				7,674	
Prepayment	(		3,007)				148	
Net defined benefit assets	(		4,993)	(			3,514)	
Net change in liabilities relating to operating activities								
Notes payable	(		15)	(			533)	
Accounts payable			8,338	(			26,072)	
Other payables to subsidiaries	(		3,445)				30,074	
Other current liabilities—others	(		356)				727	
Net defined benefit liabilities			-	(			5,849)	
Cash flow from operating activities			291,969				107,469	
Interest income received			130				404	
Dividends received			3,017				3,017	
Interest Paid	(		6,541)	(			8,690)	
Income Tax Paid	(		27,262)	(			22,495)	
Net cash flow from operating activities			<u>261,313</u>				<u>79,705</u>	

(To be continued)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

	<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
<u>Cash flow from investment activities</u>								
Financial assets acquired at cost	\$		-		(\$		15,594	
Costs of property, plant and equipment acquired		(		114,562		(		127,716
Disposition of PPE			1,438				-	
Disposal of noncurrent assets held for sale			-				679,250	
Net cash decrease from liquidation of subsidiaries		(		17,208			-	
Intangible assets acquired		(		294		(		1,562
Increase in refundable deposits		(		860		(		704
Net cash flow (in and out) from investing activities		(		<u>131,486</u>			<u>533,674</u>	
<u>Cash from financing activities</u>								
Increase (decrease) in short-term loans			20,000		(		30,000	
Increase (decrease) in payable short-term notes		(		19,968			71	
Long-term loans borrowed			170,000				660,000	
Long-term loans repaid		(		220,000		(		1,220,000
Cash dividends paid		(		116,340		(		38,780
Cash dividends paid—changes in non-controlling interests		(		<u>10,478</u>		(		<u>16,545</u>
Net cash flow from financing activities (outflow)		(		<u>176,786</u>		(		<u>645,254</u>
Effects of exchange rate changes on cash		(		<u>227</u>			<u>685</u>	
Decrease in current cash and cash equivalents		(		47,186		(		31,190
Cash and cash equivalents at the beginning of the year				<u>190,266</u>			<u>221,456</u>	
Cash and cash equivalents at the end of the year	\$		<u>143,080</u>		\$		<u>190,266</u>	

Accountant's Audit Report

(106) Cai-Shen-Bao-Zi No. 16003227

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.

### **Audit comments**

I have audited the parent company only balance sheets of Chunghwa Chemical Synthesis & Biotech Co., Ltd. for the years ending on December 31 of 2016 and 2014 as well as the parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only cash flow statements and notes to parent company only financial statements (including summaries of significant accounting policies) for the periods from January 1 to December 31, 2016 and 2015.

In my opinion, the abovementioned parent company only financial reports have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and report the financial status of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2016 and 2015 as well as of its financial performance and cash flow between January 1 and December, 2016 and 2015.

### **Basis of auditor assessment**

We have audited in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. My responsibility as certified public accountants as specified in the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" are described in the section on the "Responsibility of Certified Public Accountants in Auditing parent company only Financial Statements". The personnel of our accounting firm are subject to independent regulations and have acted as per the ROC CPA Code of Professional Ethics to remain neutral while fulfilling other duties set forth in the Code. We are convinced that we have obtained enough and appropriate audit proof to serve as the basis of our opinion.

### **Key audit matters**

The key audit matters refer to the most important matters, in my professional judgment, while auditing the parent company only financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. for 2016. These have been shown in the audited parent company only financial statements when the auditing opinions were formed. I have no personal opinion on any other matter.

### **Accounting assessment of inventory valuation**

#### Matter description

See Note 4 (10) to the parent company only financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetic uncertainty and Note 6 (3) for inventory account description.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sales of active pharmaceutical ingredients. As drug tests grow stricter and drug certificates take longer time to obtain, the risk of inventory loss or obsolescence is higher. Since the inventories involve big amounts of money and large number of items require human involvement to identify the expired or damaged goods, we had to allow to reduce inventory to market as a key audit matter.

#### Corresponding auditing procedures

The corresponding audit procedures followed for specific aspects described in the abovementioned key audit matters are as follows:

1. Assess the policy for allowance to reduce inventory to market in accordance with our understanding of the company's operations and the nature of the industry.
2. Conduct sampling tests to see if the basis for market prices of net realized value is consistent with the company's policy and also randomly check the correctness of the selling prices of individual inventory part numbers and the way net realized value is calculated.
3. Obtain from the management the inventory list of individually identified expired goods and randomly inspect the information to see if it matches with the records

### **Checking if the sales income recognition time points were appropriate**

#### Description

See No. 4 (25) of the Notes to parent company only Financial Report for details of accounting policy on income recognition. As stated in the accounting policy, income is considered only after goods are handed over to the buyer and the funds can be likely reach the Company in the foreseeable future. As export income is the main source of income of Chunghwa Chemical Synthesis & Biotech Co., Ltd., the trading terms agreed upon between the company and its customers are the basis for income assessment. However, such a process often involves a lot of manpower verify and the income assessment time points may not be appropriate. Therefore, we have considered if the sales income assessment time points were a key audit matter.

### Corresponding auditing procedures

The corresponding audit procedures for the specific aspects described in the abovementioned key audit matters are as follows:

1. The company's internal control on income assessment time points was examined and assessed while that on sales deadline was tested to verify the correctness of the income assessment time points.
2. Execution of sales and income receipt in a certain period of time prior to and after the timeline covered by the financial report were examined to match with the packing lists, customers' orders and declaration forms to confirm that income assessment was conducted at appropriate time points.

### **The responsibility of the management and governance units for the parent company only financial statements**

It is the responsibility of the management to prepare the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to present the company's financial status in an objective way and also for necessary internal controls to ensure such statements do not contain any false content due to fraudulence or mistakes.

When the parent company only financial statements were under preparation, the responsibility of the management also included the assessment of the capacity of Chunghwa Chemical Synthesis & Biotech to continue operation, disclose related matters and the accounting approaches to be followed when the company continued to operate unless it intended to liquidate or suspend the business of Chunghwa Chemical Synthesis & Biotech Co., Ltd. if there was no other option except to liquidate or suspend the company's business.

The governance units (including the Audit Committee) have to supervise the preparation of the financial statement.

### **The responsibility of certified public accountants towards auditing parent company only financial statements**

Our objective while auditing the parent company only financial statements was to ensure they do not contain any false content due to fraudulence or mistakes and if they were reasonably reliable and release the auditor's report. Reasonably reliable means highly reliable. However, auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee detection of significant false content in the parent company only financial statements. False content could have resulted from errors or fraudulent activities. The individual amounts or sums that have false information could affect the financial decision making of the users of the consolidated financial statements, and the impact of such content would be significant.



We have audited the work according to the audit standards generally accepted by the ROC and also exercised our professional judgment and so maintain our professional skepticism. We have also executed the following tasks:

1. Identifying and evaluating the likely risks from significant false content in the parent company only financial statements as a result of fraudulence, designing and executing proper counter-measures against risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis for the auditor's report. As fraudulence may involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, failing to detect significant false content resulting from fraudulence is a higher risk than the failing to identify those due to errors.
2. Examined the internal control mechanism closely related to auditing work and designed an appropriate audit mechanism without expressing any opinion on the validity of the internal control mechanism of the Chunghwa Group.
3. Evaluate the appropriateness of the accounting policy followed by the management and the reasonableness of the accounting procedures and related disclosures made accordingly.
4. Based on audit evidence, the appropriateness of the same accounting process and if the Chunghwa Group has the capacity to remain in operation or if any significant uncertainty existed. If we have such doubt or significant uncertainty existed, we point it out in the auditor's report to remind users of the consolidated financial statements to look out for related disclosures in the consolidated financial statements to revise out audit opinion if such disclosures were considered inappropriate. Our conclusion was made according to the audit proof received before the deadline for the auditor's report. However, future events or situations may force the Chunghwa Group to lose the capacity to be operational.
5. Evaluate the overall expression, structure and content of the parent company only financial statements (including related notes) and if the consolidated financial statements appropriately express related transactions and events.
6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in the group to form our opinion on the individual financial statements.
7. Expressing opinions: We are responsible for guiding, supervising and executing the audit work for the group and also for forming the auditor's opinion.
8. The auditor's opinion on the financial statements

We have communicated with the governance units about the planned audit activities, the time required and important audit outcomes (including significant internal control defects found during the audit process).

We have informed the governance units that the personnel of our accounting firm are subject to independent regulations and act according to the ROC CPA Code of Professional Ethics and remain neutral. We also communicate with them about the relatives and other matters (including related preventive measures) that affect the independence of certified

public accountants.

Based on our discussions with the governance units, we have identified the matters regarded as key audit matters while auditing the 2016 parent company only financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd. We have also clearly mentioned these in the auditor's report except certain issues whose public disclosure is prohibited by law or we have decided against mentioning under some extremely rare circumstances as such disclosures might lead to negative publicity that would cause greater harm than public good.

PricewaterhouseCoopers, Taiwan

March 7, 2017

#### Note to Readers

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only balance sheets  
December 31, 2016 and 2015

Unit: NT\$'000

Assets	2016	%	2015	%	
Assets	A m o u n t	%	A m o u n t	%	
<b>Current Asset</b>					
1100	Cash and Cash Equivalents	\$ 90,763	3	\$ 114,384	4
1150	Net notes receivable	621	-	1,054	-
1170	Net accounts collectible	89,689	3	84,557	3
1180	Accounts receivable from related parties (net)	119,962	5	175,445	6
1200	Other Receivables	6,358	-	12,961	1
1210	Other accounts receivable—related parties	953	-	6,434	-
130X	Inventory	394,743	15	409,197	14
1410	Prepayment	1,690	-	422	-
11XX	<b>Total current assets</b>	<u>704,779</u>	<u>26</u>	<u>804,454</u>	<u>28</u>
<b>Non-current Assets</b>					
1523	Available-for-sale financial assets—noncurrent	91,512	3	99,306	4
1543	Financial assets carried at cost—noncurrent	30,000	1	30,000	1
1550	Investment using equity	24,408	1	33,349	1
1600	Property, plant and equipment	1,837,720	68	1,838,842	65
1760	Net investment properties	10,700	-	10,700	-
1780	Intangible assets	214	-	1,297	-
1840	Deferred income tax assets	13,076	1	17,291	1
1900	Other non-current assets	10,353	-	5,414	-
15XX	<b>Total Non-Current Assets</b>	<u>2,017,983</u>	<u>74</u>	<u>2,036,199</u>	<u>72</u>
1XXX	<b>Total assets</b>	<u>\$ 2,722,762</u>	<u>100</u>	<u>\$ 2,840,653</u>	<u>100</u>

(To be continued)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only balance sheets  
December 31, 2016 and 2015

Unit: NT\$'000

<u>Liability and Shareholder's Equity</u>		<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
		<u>A</u>	<u>m</u>	<u>o</u>	<u>u</u>	<u>A</u>	<u>m</u>	<u>o</u>	<u>u</u>
		<u>n</u>	<u>t</u>	<u>%</u>	<u>%</u>	<u>n</u>	<u>t</u>	<u>%</u>	<u>%</u>
<b>Current Liability</b>									
2100	Short-term loan	\$		210,000	8	\$		190,000	7
2110	Short-term notes and bills payable			169,898	6			189,866	6
2150	Notes payable			345	-			360	-
2170	Accounts payable			70,676	3			62,338	2
2200	Other payables to subsidiaries			109,897	4			112,832	4
2230	Current income tax liabilities			15,605	-			24,113	1
2320	Long-term liabilities due within one year or one operating cycle			30,000	1			50,000	2
2399	Other current liabilities—others			2,551	-			3,696	-
21XXX	<b>Total current liabilities</b>			<u>608,972</u>	<u>22</u>			<u>633,205</u>	<u>22</u>
<b>Non-current Liabilities</b>									
2540	Long-term loans			100,000	4			130,000	5
2570	Deferred income tax liabilities			242,651	9			241,472	8
2600	Other noncurrent liabilities			266	-			266	-
25XXX	<b>Total noncurrent liabilities</b>			<u>342,917</u>	<u>13</u>			<u>371,738</u>	<u>13</u>
2XXX	<b>Total liabilities</b>			<u>951,889</u>	<u>35</u>			<u>1,004,943</u>	<u>35</u>
<b>Equity</b>									
<b>Share Capital</b>									
3110	Capital of Common Stock			775,600	29			775,600	27
<b>Capital Surplus</b>									
3200	Capital Surplus			334,323	12			334,323	12
<b>Retained Earnings</b>									
3310	Statutory Surplus Reserve			121,314	4			90,478	3
3320	Special Surplus Reserve			183,296	7			183,296	7
3350	Undistributed Earnings			367,379	13			455,031	16
<b>Other Equity</b>									
3400	Other Equity	(		<u>11,039</u> )	-	(		<u>3,018</u> )	-
3XXX	<b>Total Equity</b>			<u>1,770,873</u>	<u>65</u>			<u>1,835,710</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognized commitments</b>									
<b>Significant subsequent events</b>									
3X2X	<b>Total liabilities and equity</b>	\$		<u>2,722,762</u>	<u>100</u>	\$		<u>2,840,653</u>	<u>100</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only statements of comprehensive income  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

(Except the unit of earnings per share, which is NT dollar)

Item	2016		2015	
	A m o u n t	%	A m o u n t	%
4000 <b>Operating revenue</b>	\$ 1,159,773	100	\$ 1,148,686	100
5000 <b>Operating cost</b>	( 768,667)	( 66)	( 772,476)	( 67)
5900 <b>Gross Profit</b>	391,106	34	376,210	33
5910 Unrealized loss (gain) from sales	57	-	( 162)	-
5920 Realized gain (loss) from sales	162	-	( 398)	-
5950 <b>Net gross profit</b>	<u>391,325</u>	<u>34</u>	<u>375,650</u>	<u>33</u>
<b>Operating Expenses</b>				
6100 Marketing Expense	( 65,800)	( 6)	( 77,949)	( 7)
6200 Administrative Expense	( 83,192)	( 7)	( 76,514)	( 7)
6300 R&D Expenses	( 146,403)	( 13)	( 131,871)	( 11)
6000 <b>Total Operational Expenses</b>	<u>( 295,395)</u>	<u>( 26)</u>	<u>( 286,334)</u>	<u>( 25)</u>
6900 <b>Operating Income</b>	<u>95,930</u>	<u>8</u>	<u>89,316</u>	<u>8</u>
<b>Non-Operating Income and Expenses</b>				
7010 Other income	7,740	1	10,816	1
7020 Other income	( 5,616)	-	240,870	21
7050 Financing Cost	( 6,564)	( 1)	( 8,373)	( 1)
7070 Shares of profit of subsidiaries, associates and joint ventures accounting for using the equity method				
	1,033	-	( 994)	-
7000 <b>Total Non-operating Income and Expenses</b>	<u>( 3,407)</u>	<u>-</u>	<u>242,319</u>	<u>21</u>
7900 <b>Net income before tax (Note 4 and 22)</b>	92,523	8	331,635	29
7950 Income tax expense	( 32,240)	( 3)	( 23,279)	( 2)
8200 <b>Net income</b>	<u>\$ 60,283</u>	<u>5</u>	<u>\$ 308,356</u>	<u>27</u>
<b>Other comprehensive income (net)</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
8311 Re of defined benefit plans	(\$ 914)	-	(\$ 2,901)	-
8349 Income taxes relating to items not to be reclassified	155	-	493	-
8310 <b>Total amount of items that will not be reclassified subsequently to profit or income</b>	<u>( 759)</u>	<u>-</u>	<u>( 2,408)</u>	<u>-</u>
<b>Items that may be reclassified to profit or loss</b>				
8361 Conversion difference in financial statements of foreign operations	( 227)	-	675	-
8362 Unrealized gain or loss on available-for-sale financial assets	( 7,794)	( 1)	( 3,268)	( 1)
8360 <b>Total amount of items that may be reclassified subsequently to profit or loss</b>	<u>( 8,021)</u>	<u>( 1)</u>	<u>( 2,593)</u>	<u>( 1)</u>
8300 <b>Other comprehensive income (net)</b>	<u>(\$ 8,780)</u>	<u>( 1)</u>	<u>(\$ 5,001)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income (loss)</b>	<u>\$ 51,503</u>	<u>4</u>	<u>\$ 303,355</u>	<u>26</u>
<b>Earnings Per Share</b>				
9750 <b>Basic earnings per share</b>	\$ 0.78		\$ 3.98	
9850 <b>Diluted earnings per share</b>	\$ 0.77		\$ 3.96	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only statements of change in equity  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

	C a p i t a l		S u r p l u s		R e t a i n e d		E a r n i n g s		O t h e r		E q u i t y	
	Capital of C o m m o n S t o c k	Issue premium	O t h e r s	Statutory Surplus R e s e r v e	Special Surplus R e s e r v e	Undistributed E a r n i n g s	Differences in f o r e i g n c o n v e r s i o n o p e r a t i o n s E x c h a n g e d i f f e r e n c e i n t h e f i n a n c i a l s t a t e m e n t c o n v e r s i o n	Unrealized gain o r l o s s o n a v a i l a b l e - f o r - s a l e f i n a n c i a l a s s e t s	Total equity			
<u>2015</u>												
Balance as on Jan. 1, 2015	\$ 775,600	\$ 333,746	\$ 577	\$ 89,019	\$ 183,296	\$ 189,322	\$ 426	(\$ 851)	\$ 1,571,135			
Appropriation and distribution of retained earnings in 2014 (Note)												
Statutory Surplus Reserve	-	-	-	1,459	-	( 1,459 )	-	-	-			
Cash Dividend	-	-	-	-	-	( 38,780 )	-	-	( 38,780 )			
Net income	-	-	-	-	-	308,356	-	-	308,356			
Total Other Comprehensive Income for the year (after tax)	-	-	-	-	-	( 2,408 )	675	( 3,268 )	( 5,001 )			
Balance as of Dec. 31, 2015	<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 90,478</u>	<u>\$ 183,296</u>	<u>\$ 455,031</u>	<u>\$ 1,101</u>	<u>(\$ 4,119)</u>	<u>\$ 1,835,710</u>			
<u>2016</u>												
Balance as on Jan. 1, 2016	\$ 775,600	\$ 333,746	\$ 577	\$ 90,478	\$ 183,296	\$ 455,031	\$ 1,101	(\$ 4,119)	\$ 1,835,710			
Appropriation and distribution of retained earnings in 2015 (Note)												
Statutory Surplus Reserve	-	-	-	30,836	-	( 30,836 )	-	-	-			
Cash Dividend	-	-	-	-	-	( 116,340 )	-	-	( 116,340 )			
Net income	-	-	-	-	-	60,283	-	-	60,283			
Total Other Comprehensive Income for the year (after tax)	-	-	-	-	-	( 759 )	( 227 )	( 7,794 )	( 8,780 )			
Balance on Dec. 31, 2016	<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 121,314</u>	<u>\$ 183,296</u>	<u>\$ 367,379</u>	<u>\$ 874</u>	<u>(\$ 11,913)</u>	<u>\$ 1,770,873</u>			

Note: In 2015, the board of directors decided the remuneration of each employee, and each director or supervisor to be \$13,069 and \$1,310. The bonus for each employee and for each director or supervisor in 2014 were respectively \$4,357 and \$436. These amounts were deducted from the parent company only comprehensive income statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only cash flow statements  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

	<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
<u>Cash flow from operating activities</u>								
Current net profit before tax	\$		92,523		\$		331,635	
Adjusted items								
Income and expense items								
Depreciation expense			113,401				101,092	
Amortization expense			1,285				1,717	
Interest expense			6,564				8,373	
Interest Income	(		93)	(			76)	
Dividend income	(		3,017)	(			3,017)	
Share of profit from subsidiaries, associates and joint ventures accounted for the equity	(		1,033)				994	
Disposal of plant, property and equipment	(		250)				-	
Income from disposal of noncurrent assets held for sale			-	(			233,088)	
Amount derived from property, plant and equipment re-valuation			1,536				1,482	
Unrealized (loss) gain from sales	(		56)				162	
Realized (gain) loss from sales	(		162)				398	
Changes in assets and liabilities relating to operating activities								
Net change in assets relating to operating activities								
Net notes receivable			433				391	
Net accounts collectible	(		5,132)	(			38,981)	
Accounts receivable from related parties (net)			55,483	(			102,181)	
Other Receivables	(		640)	(			139)	
Other accounts receivable—related parties			4,136				-	
Inventory			14,454				23,726	
Prepayment	(		1,268)				51	
Net defined benefit assets	(		4,993)	(			3,514)	
Net change in liabilities relating to operating activities								
Notes payable	(		15)	(			533)	
Accounts payable			8,338	(			26,072)	
Other payables to subsidiaries	(		3,346)				29,314	
Other current liabilities—others	(		1,145)				678	
Net defined benefit liabilities			-	(			5,849)	
Cash flow from operating activities			277,003				86,563	
Interest income received			78				76	
Dividends received			6,789				8,972	
Interest Paid	(		6,541)	(			8,690)	
Income Tax Paid	(		26,596)	(			17,979)	
Net cash flow from operating activities			<u>250,733</u>				<u>68,942</u>	

(To be continued)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent company only cash flow statements  
January 1 to December 31, 2016 and 2015

Unit: NT\$'000

	<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
<u>Cash flow from investment activities</u>								
Returned capital on liquidation of subsidiaries, associates and joint ventures accounting for equity	\$		6,193		\$		-	
Financial assets acquired at cost			-		(		15,000	)
Cost of property, plant and equipment acquired	(		114,523		(		127,705	)
Disposal of PPE			1,438				-	
Disposal of noncurrent assets held for sale			-				679,250	
Intangible assets acquired	(		294		(		1,562	)
Increase in refundable deposits	(		860		(		700	)
Net cash flow (in and out) from investing activities	(		108,046				534,283	)
<u>Cash from financing activities</u>								
Increase (decrease) in short-term loans			20,000		(		30,000	)
Increase (decrease) in payable short-term notes	(		19,968				71	
Long-term loans borrowed			170,000				660,000	
Long-term loans repaid	(		220,000		(		1,220,000	)
Cash dividends paid	(		116,340		(		38,780	)
Net cash flow from financing activities (out)	(		166,308		(		628,709	)
Decrease in current cash and cash equivalents	(		23,621		(		25,484	)
Cash and cash equivalents at the beginning of the year			114,384				139,868	
Cash and cash equivalents at the end of the year	\$		90,763		\$		114,384	



Appendix IV

**Chunghwa Chemical Synthesis & Biotech Co., Ltd.**  
**Profit distribution table**  
**2016**

Unit: NTD

Item	Amount
Opening retained earnings	307,854,605
Less: Retained earnings adjusted in 2016	(758,279)
Surplus not distributed after adjustment	307,096,326
Plus: After-tax net profit in 2016	60,282,755
Less: Statutory earnings reserve	(6,028,276)
Earnings to be allocated	361,350,805
Less: Shareholder bonuses (cash dividend of NT\$0.5 per share) (Note 1)	(38,780,000)
Unappropriated retained earnings	322,570,805
<p>Note 1: Cash dividends were distributed as per the %age of shares held by shareholders on the record date. They were calculated to the dollar. Fractions less than one NT dollar were adjusted from big to small decimal places and shareholder account numbers from the front to the rear until the total matches with the total cash dividend to be distributed.</p>	

## Appendix V

# Chunghwa Chemical Synthesis & Biotech Co., Ltd. Company Charter

### Chapter I General Provisions

Article 1 This Company is named Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Company Act

Article 2 The business activities of this Company are as follows:

1. C802041 Manufacturing of Drugs and Medicines
2. F108021 Wholesaler of Drugs and Medicines
3. ZZ99999 Business activities not prohibited or restricted by law except those requiring special approval

Article 3 When this Company becomes a shareholder with limited responsibility in another company, the total amount to be invested may not be subject to the restriction in Article 13 of the Company Act, which states that such an amount may not exceed the 40% of the paid-in capital.

Article 4 The Company is located in New Taipei City. If necessary, it may establish branches and plants in different parts of the country or in foreign countries. Establishment and revocation of such facilities is decided by the board of directors.

Article 5 All announcements to be made by this Company are as per Article 28 of the Company Act.

### Chapter II Shares

Article 6 The capital of this Company is set at NT\$1.6 billion divided into 160 million shares of NT\$10 per share. Of the total capital, NT\$120 million is divided into 12 million shares for issuance of employee stock options and the board of directors is authorized to issue the unissued shares (including those for issuance of employee stock options) in batches depending on company operational needs.

Article 7 All the shares of the Company are inscribed shares that require the signatures or personal seals of at least three directors before they are certified by the competent authority or an issuance of registration

institution by the competent authority. Shares may also be issued without printed stocks or with consolidated printed stocks according to the total shares issued each time and such stocks may be placed in the custody of the centralized securities depository services.

Article 8 This Company will offer shareholder services as per related laws and regulations of the securities authority.

Article 9 Within 60 days prior to each annual general body meeting of shareholders, 30 days before each ad hoc shareholder meeting or five days before the Company decides the base date for dividend and bonus distribution or other profit; share transfer registration will be suspended.

### Chapter III Shareholder Meetings

Article 10 The shareholder meetings of the Company are of two types, one annual body general meetings of shareholders and the second ad-hoc shareholder meetings.

A. Annual general body meeting of the shareholders is to be convened by the board of directors within six months of the fiscal year.

B. Ad-hoc meetings may be convened according to law when necessary.

Article 11: Shareholders shall be notified 30 days before an annual general meeting of shareholders and 15 days before an ad-hoc shareholder meeting.

Article 12 Unless otherwise stated in the Company Act, resolutions made at a shareholder meeting require the attendance of shareholders representing the majority of the total shares and the approval of the majority of the attending shareholders.

Shareholders have one vote for each share in their possession, but shareholders specified under Article 179 of the Company Act do not vote.

Article 13 The Company shall seek the shareholder approval if it intends to revoke a public issue and this may not be altered during the

emerging period and after the Company goes public.

Article 14 A shareholder who is unable to attend a shareholder meeting may delegate the power to an agent to attend provided a power of attorney printed by the Company specifying the nature of authority and carrying the signature or personal seal of the shareholder is presented five days before the meeting. One shareholder may issue one power of attorney and delegate one agent only. Besides investment trust enterprises and shareholder service agencies approved by the securities authority, an individual delegated by two or more shareholders as an agent at the same time may not have votes exceeding 3% of the total votes that represent all the outstanding shares. Excess votes will not be counted. When the power of attorney is repeated, the first one delivered shall prevail unless it was revoked.

During a shareholder meeting, voting may be conducted in writing or with electronic measures depending on the regulations set forth in the Company Act and from the competent authority.

Article 15 When a shareholder meeting is convened by the Board of Directors, the chairperson shall preside over the meeting. If on leave or unable to attend, the chairperson shall designate a director to chair the meeting. If no director is designated, all the directors shall elect one from among them to chair the meeting. When a shareholder meeting is convened by an individual who has the right to convene, the convener shall chair the meeting, If the meeting is convened by two or more people, they shall elect one from among them to chair the meeting.

Article 16 Decisions made during a shareholders' meeting shall be recorded in the meeting minutes which shall carry the signature or personal seal of the chair and distributed to all the shareholders within 20 days after the meeting/ Electronic measures may be adopted to print and distribute the minutes of the meeting.

The minutes of the meeting as described in the preceding paragraph may be distributed through public announcement.

#### Chapter IV The Board of Directors and Functional Committees

Article 17 The Board of Directors of the Company will have seven to nine

members and a candidate nomination system is adopted for director election starting on the 20th Board of Directors for shareholders to elect from the list of directors' candidate list.

A director shall serve a term of three years and may continue if reelected. When the term of directors expires and reelection cannot be conducted in time, the term is extended until reelection is conducted. The total inscribed shares held by the directors may not be less than the %age stipulated by the securities authority.

The aforesaid number of directors shall include at least three independent directors and may not be less than one fifth of the total director seats. The professional requirements and restrictions on shareholding and part-time status of independent directors and definition of independence, nomination and regulations to follow are determined as per related laws and regulations.

Article 18 An audit committee composed of all the independent directors was created when the 20th Board of Directors was formed. The number of members of the Audit Committee may not be less than three. One of them shall be the convener and at least one of them must be an accounting or financial specialist.

Article 19 The Company shall create a remuneration committee as well as other functional committees and the Board of Directors formulate the guidelines for each committee.

Article 20 The Board of Directors is authorized to determine the remuneration for the chairperson, independent directors and directors according to the extent of their participation and contribution to the operation of the Company and the standards normally adopted by the industry.

Article 21 This Company may authorize the Board of Directors to purchase insurance for the directors' compensation liabilities in the discharge of their duties.

Article 22 The responsibilities of the Board of Directors are:

1. Convene shareholders' meetings to pass resolutions on related matters;
2. Review business guidelines, research, design and production

plans and progress of work;

3. Review and ratify important revisions and curtailment of regulations
4. Review and ratify budgets and final accounts, business reports and surplus allocation proposals;
5. Review and ratify revision and annul important contracts;
6. Approval the setting up of branch operations, their establishment, personnel increase and decrease, and changes;
7. Decision on important personnel appointments, dismissals and transfers and approval of personnel retirement and pension guidelines;
8. Approve capital increase or decrease proposals, and investment and cooperation projects;
9. Decide on matters suggested by the chairperson;
10. Review matters proposed by the general manager;
11. Other responsibilities conferred by law or shareholders.

Article 23 The chairperson shall be elected from among the directors at the Board of Directors meeting attended by at least two thirds of the directors and with the approval of the majority of the attending directors. The chairperson represents the Company to be in charge of all business operations.

Article 24 The chairperson shall be the chair and convener of the Board of Directors as well represent the company in external matters. When on leave or unable to exercise the duties, the chairperson shall designate a director to be the acting chairperson. If the chairperson fails to designate anyone, the directors shall elect one director from among them to be the acting chairperson.

A director who is unable to attend a Board of Directors meeting may issue a power of attorney indicating the nature of authority to another director as an agent, but each agent may accept the delegation of one director only.

Article 25 A notice of the meeting of the Board of Directors setting out the reasons for convention shall be issued to all directors seven days prior to the meeting except for meetings convened in emergencies. The meeting notices may be issued in writing or through email or fax.

Article 26 Unless otherwise stated in the Company Act, resolutions made by

the Board of Directors require the attendance of the majority of the directors and approval by the majority of the attending directors.

## Chapter V Employees

Article 27 The Company may have managers and their appointment, dismissal and remuneration will be conducted in accordance with Article 29 of the Company Act.

Article 28 The general manager shall follow the instructions of the chairperson and act according to the authority conferred by the Board of Directors to manage all the operations of the Company with the assistance of the vice general manager.

Article 29 The Company may hire several lawyers, accountants and consultants and they be appointed by the Board of Directors.

Article 30 The Board of Directors of the Company will set an administrative procedure and plant administration regulations.

## Chapter VI Surplus Distribution

Article 31 The Company shall follow Jan. 1 to Dec. 31 each year as the fiscal year. The Board of Directors will prepare the following reports and statements at the end of each fiscal year and present it for ratification in the annual general meeting of shareholders:

1. Business report
2. Financial statements
3. Surplus distribution or proposal for accumulated deficit offset

Article 32 If there is profit at the end of a fiscal year, this Company shall appropriate 1% to 15% of the profit to be employee remuneration and no more than 3% as directors' remuneration. However, if the company has an accumulated deficit, the deficit is offset first.

The distribution of the employee remuneration described in the preceding paragraph may include the employees of affiliates that meet certain conditions and the conditions set by the Board of Directors.

Article 32-1 The industrial environment of the Company is ever changing and its corporate life cycle is in a stage of steady growth. Taking into account the need for capital in the future and for long-term

financial planning as well as to meet the needs for cash income for shareholders, , if funds still remain after meeting the final account each year, the Company shall distribute the surplus in the following order:

1. Pay the taxes according to law
2. Offset losses of previous years
3. Appropriate 10% to be the statutory surplus reserve
4. Appropriate certain %ages to be the special reserve as required by law
5. If funds are still left, along with the accumulated undistributed earnings from the preceding year, a portion may be retained for awarding bonus to the shareholders if the business conditions permit. Cash dividends may not be less than 50% of the shareholder bonus, but stock dividend be issued instead if the cash dividend per share is less than NT\$0.1.

## Chapter VII Supplementary Provisions

Article 33 Matters that this charter fails to cover shall be conducted according to the Company Act and related laws and regulations;

Article 34 Established on Oct. 12, 1963, this charter was amended the first time on Mar. 1, 1964, the second time on Apr. 11, 1965, the third time on Apr. 11, 1967, the fourth time on June 29, 1968, the fifth time on May 10, 1969, the sixth time on Sept. 15, 1975, the seventh time on Apr. 29, 1976, the eighth time on Apr. 23, 1977, the ninth time on Oct. 7, 1978, the tenth time on May 19, 1981, the 11th time on Dec. 26, 1981, the 12th time on May 29, 1982, the 13th time on Apr. 23, 1983, the 14th time on May 28, 1986, the 15th time on May 9, 1987, the 16th time on Apr. 30, 1988, the 17th time on Apr. 29, 1989, the 18th time on May 12, 1990, the 19th time on May 4, 1991, the 20th time on Apr. 11, 1992, the 21st time on May 29, 1993, the 22nd time on May 28, 1994, the 23rd time on June 7, 1996, the 24th time on June 30, 1997, the 25th time on May 12, 1998, the 26th time on June 29, 1999, the 27th time on June 26, 2002, the 28th time on June 20, 2003, the 29th time on June 18, 2004, the 30th time on June 24, 2005, the 31st time on June 16, 2006, the 32nd time on June 28, 2007, the 33rd time on June 19, 2009, the 34th time on June 8, 2010, the 35th time on June 20, 2012, the 36th time on June 19, 2013, the 37th time on June 18, 2015 and the 38th time on May 31, 2016. Besides Articles 23, 23-1, 23-2 and 24 prior to the 37th amendment and Articles 17, 18, 25



and 31 that were to go into effect when the 20th Board of Directors was formed, the rest of the articles came into force after they were approved during the shareholders' meetings.

## Appendix VI

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd.**

#### Rules of Procedure for Shareholder Meetings

Article 1 These rules are set in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies to improve the conduct of the shareholders' meeting of the Company to improve the supervisory function and strengthen the management performance.

Article 2 Unless otherwise stated in related laws and regulations or the charter of the Company, all shareholder meeting proceedings shall be conducted according to these rules.

Article 3 Unless stipulated otherwise in related laws and regulations, the shareholder meetings of the Company shall be convened by the board of directors 30 days before an annual general meeting of shareholders or 15 days before an ad-hoc shareholder meeting. The Company shall enter the shareholders' meeting notice, form of power of attorney, matters to be ratified, matters to be discussed, director appointments or dismissals and related descriptions into the electronic files and upload them to the Market Observation Post System. Twenty-one days before the Company is to convene a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. Fifteen days before a shareholders' meeting convention, meeting manuals and supplementary information for the meeting shall be made available to shareholders and also displayed at the Company and at the offices of the shareholder service agents commissioned by the Company as well as distributed at the meeting venue when the meeting is convened.

The causes or subjects of a shareholders' meeting to be convened shall be indicated in the individual notice and the public notice; and the

notice may be sent by electronic transmission, after prior consent from the recipients.

Appointment or dismissal of directors, changes to be made to the charter, company dissolution, mergers, demergers or matters specified in the subparagraphs of 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 shall be listed among the causes of meeting convention and may not be proposed as extempore motions.

Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a proposal to the Company for discussion at a regular shareholders' meeting. However, only one matter is allowed in each single proposal. If a proposal contains more than one matter, such proposal will not be included in the agenda. If proposals from shareholders belong to situations specified in the subparagraphs of Paragraph 4 of Article 172-1 of the Company Act, the Board of Directors may refuse to list them as motions to be discussed.

Prior to the book closure date before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the meeting and the period for accepting such proposals shall not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to 300 words, and any proposal containing more than 300 words will not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting and shall take part in the discussion of such proposal.

The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by notice, all the proposal-submitting shareholders about the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in the Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the reason for their exclusion and explanation shall be offered by the Board of Directors at the shareholders' meeting.

Article 4 Any shareholder may issue a power of attorney established by the Company and specify the nature of authority to be conferred on the delegate/agent to attend a shareholder meeting on his or her behalf.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous written proxy is made in the proxy, which comes later.

If a shareholder intends to attend the shareholders' meeting in person or exercise his or her voting right after his power of attorney has already been delivered to the Company, the shareholder shall revoke the power of attorney in writing two days before the meeting. Otherwise, the delegated agent shall attend the meeting to exercise the voting right.

Article 5 The venue where a shareholder meeting is to be held shall be in the premises of the Company or a location easy for shareholders to access and appropriate for holding meetings. All shareholder meetings may not begin before 9:00 AM or after 3:00 PM. The opinions of the independent directors shall also be taken into consideration in decision of the location and time of a shareholders' meeting.

Article 6 The Company shall indicate at the meeting notice the check-in time and location and other things to note.

The check-in time described in the preceding paragraph shall be at least 30 minutes before the meeting begins. The check-in counter shall be precisely indicated and enough competent personnel shall be assigned to help shareholders check in.

Shareholders or their agents (hereinafter referred to shareholders) shall present their attendance passes, check-in cards or other attendance certificates to attend the shareholder meetings. The Company may randomly request shareholders to provide proof of documents other than the abovementioned. Power of attorney-seekers shall carry personal IDs for verification.

The Company shall prepare sign-up books for attending shareholders to sign up. Shareholders may also turn in their check-in cards to sign up.

The Company shall give each attending shareholder the meeting manual, annual report, attending pass, speech note, voting ballot and other meeting information. When the directors' election is to be conducted, the corresponding ballot shall also be attached.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 When a shareholder meeting is convened by the Board of Directors, the chairperson shall preside over the meeting. If on leave or unable to attend the meeting, the vice chairperson shall chair the meeting. If there is no vice chairperson or the vice chairperson is also on leave or unable to attend, the chairperson shall designate a managing director to chair the meeting. If there is no managing director, a director shall be designated. If the chairperson fails to designate a director the directors shall elect one person from among them to chair the meeting. If a managing director or director is to chair the meeting as described in the preceding paragraph, it shall be a managing director or director who has held the position for at least six months and is familiar with the company's financial situation. The same principle applies if a representative of a juristic person director is to chair the meeting.

When a shareholder meeting is convened by the Board of Directors, it is more appropriate that the chairperson chair the meeting and more than half of the directors and at least one member of each functional committee also attend the meeting. The attendance shall also be recorded in the shareholders' meeting minutes.

If a shareholder meeting is convened by people outside the Board of Directors, the convener shall chair the meeting. If there are two or more conveners, they shall elect one person from among them to chair the meeting.

The Company may designate its lawyer, certified public accountant (CPA) or other relevant persons to attend the shareholders' meeting.

Article 8 The Company shall establish uninterrupted audio and video recordings of the entire process of the shareholder check-in, meeting proceedings and voting, and ballot counting.

The aforementioned video shall be preserved for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the

Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 9 Shareholders' meeting attendance shall be calculated with shares as the basis.

The number of shares in attendance shall be calculated according to the shares indicated in the attendance register and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement provided that no more than two such postponements for a combined duration of no more than one hour may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall adjourn the meeting.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10 If a shareholders' meeting is convened by the Board of Directors, the Board shall decide the proceedings and the meeting shall be conducted accordingly; no changes may be made except with the resolution of the shareholder meeting.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in

violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair according to statutory procedures by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to vote, the chair may announce the discussion closed and call for vote.

Article 11 Attending shareholders who intend to speak shall outline the speech and their shareholder account number (or attendance pass number) and account name in the speech note and the chair of the meeting shall determine their speaking sequence.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12 The votes cast in a shareholder meeting shall be calculated with shares as the basis.

With respect to resolutions at shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be

calculated as part of the total number of issued shares. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, a shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that %age is exceeded, the voting rights in excess of that %age shall not be included in the calculation.

Article 13 Each shareholder has one vote for each share in his or her possession except those who are placed under restriction or specified as without voting rights in Paragraph 2 of Article 79 of the Company Act.

When this Company convenes a shareholder meeting, voting may be conducted in writing or with electronic measures. The choice shall be indicated in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company shall avoid the extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received the earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

A shareholder who intends to attend the shareholders' meeting in person after giving the notice of exercising his or her voting right in writing or electronically shall revoke the earlier decision at the latest



two days before the meeting. Otherwise, he or she shall exercise the voting right in writing or electronically. If a shareholder expresses the intention to exercise his or her voting right in writing or electronically and also issues a power of attorney to delegate an agent to attend a shareholder meeting to exercise the voting right on his or her behalf, the agent shall attend the meeting and exercise the voting right on his or her behalf.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

During voting, the chair or personnel designated by the chair shall announce the total votes for each motion one after another for the shareholders to cast their votes. Afterwards, on the same day the shareholder meeting in concern is convened, the numbers of shareholders who have approved, objected and abstained from voting shall be uploaded to the Market Observation Post System.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting is required.

When voting on a proposal, vote monitoring and counting personnel shall be appointed by the Chair, provided that all monitoring personnel are shareholders of the Company.

Vote counting for voting on motions or elections shall be conducted at an open space in the shareholders' meeting venue and the results, including weights, shall be announced immediately after counting and recorded.

Article 14 When a director election is to be held in a shareholders' meeting, it shall be conducted according to the election regulations established by the Company and the results, including the list of directors elected and the weights of the votes they received shall be announced immediately.

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

be retained until the conclusion of the litigation.

Article 15 Decisions made during a shareholders' meeting shall be recorded in the meeting minutes which will require the signature or personal seal of the chair and shall be distributed to each shareholder within 20 days after the meeting. Electronic measures may be adopted to print and distribute meeting minutes.

Distribution of the meeting minutes as described in the preceding paragraph may be conducted by uploading them to the Market Observation Post System.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 16 On the day of the meeting, the Company shall present the statistics in the specified format on the number of shares acquired by power of attorney-seekers and delegated agents and disclose the statistics at the meeting venue.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Shareholders' meeting workers shall wear identification passes or armbands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. Such personnel shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from doing so.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 During a shareholders' meeting, the chair may make break announcements

when the schedule allows. If a force majeure event occurs, the chair may suspend the meeting and announce when it will be resumed depending on the situation. If a meeting cannot be continued in the current venue before all the proceedings (including extempore motions) are concluded, the meeting may resolve to find a new venue to continue the meeting.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These rules shall take effect after approval by the shareholders' meeting and the same procedure shall apply when amended.

## Appendix VII

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd.**

#### Operational Procedures for Acquisition or Disposal of Assets (before amendment)

Article 1 Unless otherwise stated in related laws and regulations, the Company shall acquire or dispose of assets according to these procedures.

Article 2 These procedures are established in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies".

Article 3 The assets referred to in this procedure include the following:

1. Stocks, government bonds, company bonds, bank debentures, securities of outstanding overseas funds, depository receipts, call (put) warrants, beneficiary securities, etc.
2. Real estate (including land, houses and buildings, investment properties and land-use rights) and equipment
3. Memberships
4. Patents, copyrights, trademark rights, concessions and other intangible assets
5. Claims of financial institutions (including accounts receivable, bills purchased and discounted, and loans, and receivables on demand)
6. Derivatives: referring to forward contracts, option contracts, futures contracts and leverage contracts whose value derives from products such as assets, interest rates, exchange rates, indices or other interests as well as composite contracts that include the abovementioned products. The forward contracts described above do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (distribution) contracts.
7. Assets acquired or disposed of through mergers, demergers, acquisitions or share transfers according to law: The assets acquired or disposed of as a consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to Paragraph 8, Article 156 of the Company Act.
8. Other important assets

Article 4 When the Company obtains an appraisal report or a statement of opinion from an accountant, lawyer or securities underwriter, the appraisal service providing the report and its appraisers, the account, lawyer or securities underwriter providing the opinion and the trading counterpart may not be a

related party.

Article 5 The total amount of real estate or securities that the Company and its subsidiaries may purchase for non-operating purposes and the limit of amount to be invested in securities are as follows:

The Company

1. The total amount of real estate for non-operating purposes purchased may not exceed 20% of the net value of the Company.
2. The total amount invested in long- and short-term securities may not exceed 40% of the net value of the Company.
3. The amount invested in individual securities may not exceed 30% of the net value of the Company.

Subsidiaries

1. The total amount of real estate for non-operating purposes purchased may not exceed 10% of the net value of the Company.
2. The total amount invested in securities may not exceed 15% of the net value of the Company.
3. The amount invested in individual securities may not exceed 10% of the net value of the Company.

The "subsidiaries" are defined in accordance with the provisions set forth in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The "net value" refers to equity belonging to the owners of the parent as indicated in the balance sheets according to the Regulations Governing the Preparation of Financial reports by Securities Issuers.

Article 6 Assessment and operating procedures of acquisition or disposal of assets

1. Acquisition or disposal of securities

(1) With securities acquired or disposed of at TWSE or TPEX, the underwriter is required to submit the need for acquisition or disposal, the object in question and the basis on which price decision was made to the competent authority for final decision.

(2) With securities not acquired or disposed of at TWSE or TPEX, the underwriter is required to submit the reason for its acquisition or disposal, the object in question, information on the trading counterpart, the price, payment terms and the basis on which price decision was made to the competent authority for final decision.

2. When acquiring or disposing of other assets, the handling unit shall draw up the reasons for acquisition or disposal, the asset in question, the trading counterpart, the transfer price, payment terms and pricing basis and report them to the authorities for final decision.
3. Asset acquisition or disposal be conducted according to the internal control regulations of this Company.

Article 7 Transaction term decision procedures

1. Decision on prices of assets to acquire or dispose of and the basis for the decision

- (1) Acquisition and disposal of securities
    1. The prices of securities purchased at the TWSE or TPEX will be determined at the ongoing market rates of the securities.
    2. Negotiations have to be conducted on the prices of securities not purchased at TWSE or TPEX with the net value per share, profitability, future potential and ongoing market prices taken into consideration.
  - (2) Acquisition or disposal of other assets shall be conducted through price comparison, price negotiation, putting up public tenders or through other approaches.
2. Acquisition or disposal of assets is for the competent authority to make a final decision within the power conferred.
- (1) Acquisition or disposal of securities:
    1. Each acquisition or disposal of long-term securities or the amount per day less than NT\$30 million may be approved by the chairperson and presented at the first Board of Directors meeting afterwards for reference. An analytic report on the unrealized profit or loss must also be presented. If the amount exceeds NT\$30 million, it must be presented to the Board of Directors for approval before execution.
    2. When short-term securities, stocks, government bonds, company bonds, bank debentures, beneficiary securities or asset-backed securities are to be acquired or disposed of and the amount of each transaction or each day is less than NT\$30 million, the approval of the chairperson is required and the transaction as well as an analytic report on the unrealized gain or loss of short-term securities shall be presented for reference at the first Board of Directors meeting afterwards. If the amount exceeds NT\$30 million, the transaction will require the approval of the Board of Directors before implementation.
  - (2) Acquisition or disposal of real estate and other fixed assets:
    1. Each acquisition or disposal of real estate valued less than NT\$30 million is to be submitted for approval by the chairperson and also presented in the first Board of Directors meeting afterwards for reference. If the amount exceeds NT\$30 million, it must be approved by the Board of Directors before execution.
    2. Each acquisition or disposal of any other fixed asset valued less than (including) NT\$10 million is to be processed in accordance with the established authority regulations. If the amount exceeds NT\$10 million, it must be approved by the Board of Directors before execution.

Article 8 Acquisition or disposal of assets by the Company requires reports from

specialists commissioned by the company in accordance with the types of assets and the following regulations:

1. In acquiring or disposing of real estate or equipment where the transaction amount equals 20 % of the company's paid-in capital or NT\$300 million or more, the Company, except when transacting with a government agency, engaging others to build on its own land or on leased land, or acquiring or disposing of operating equipment, shall obtain an appraisal report prior to the date of transaction from a professional appraiser and the procedure shall comply with the following provisions:
  - (1) if a limited price, specific price or special price has to be adopted as the basis of transaction under extraordinary circumstances, the transaction shall require the approval of the Board of Directors by resolution and the same procedure shall apply if the transaction terms change in the future.
  - (2) Two or more professional appraisal services shall be engaged to make appraisals for transactions valued NT\$1 billion or more.
  - (3) If the appraisals from professional appraisal services involve one of the following situations, except for all the appraisals for the asset to be acquired are higher than the intended transaction amount or the appraisals for the asset to be disposed of are lower than the intended transaction amount, a certified public accountant has to be engaged to handle the matter according to the Statements of Auditing Standards No. 20 released by the Accounting Research and Development Foundation (hereinafter referred to as the ARDF) and also to provide concrete opinion on the price differences and the appropriateness of the transaction price:
    1. The difference between the appraisals and the transaction amount is 20% or higher.
    2. The difference between appraisals from two professional appraisal services is 10% of the transaction amount or higher.
  - (4) The dates of appraisal reports and the date the contract is signed cannot be more than three months. However, if either of the appraisals complies with the current assessed value and the appraisal is dated less than six months, the original professional appraisal service may issue a statement of opinion.
2. Before the company acquires or disposes of securities, the issuing company's latest financial statement which has been audited or reviewed by a certified public accountant must be obtained to serve as reference for transaction price assessment. If the transaction amount equals 20% of the company's paid-in capital or NT\$300 million or more, the opinion of a certified public accountant must be received on the reasonableness of the transaction price. If the certified public

accountant is to give an expert report, the procedure must comply with No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation. However, if the securities in question are actively traded on the market or if the securities meet any of the following descriptions, there is no need for the abovementioned financial statement and accountants' opinions.

- (1) Securities acquired through cash contribution in a corporation through promotion or through public offering;
  - (2) Securities issued at face value by an issuing company increasing the cash capital in accordance with relevant laws and regulations, with this Corporation serving as a sponsor of the issue;
  - (3) Securities issued by an investee company wholly invested by this Company that is increasing the cash capital, with this Company serving as a sponsor of the issue;
  - (4) The securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the Taipei Exchange (TPEX) and emerging stocks;
  - (5) Government bonds or bonds entailing repurchase or reverse purchase agreements;
  - (6) Domestic or overseas funds;
  - (7) TWSE or TPEX-listed securities acquired or disposed of in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities
  - (8) Securities acquired through this Corporation's sponsorship of a cash capital increase by a public company, when the securities acquired are not privately placed
  - (9) Subscription to fund shares before the establishment of a fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and the Financial Supervisory Commission's 1 November 2004 Order No. Financial-Supervisory-Securities-IV-0930005249;
  - (10) When purchasing or repurchasing domestic private placement funds, the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund;
3. Proof documents issued by the court for assets the Company acquires or disposes of through court auction may replace the otherwise required appraisal report from an accountant.
  4. When acquiring or disposing of memberships or intangible assets worth 20 % of the paid-in capital or more or NT\$300 million or more, except for transactions with government agencies, the company shall engage a certified public accountant prior to the date of occurrence of



the event to provide an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.

5. Calculation of the amounts of transactions described in Paragraphs 1, 2 and 4 of this Article shall be made according to Paragraph 2 of Article 13 and the phrase of "within one year" refers to the year preceding the date of the current transaction. Items for which appraisal reports from professional appraisal services or accountants' opinions have been obtained need not be concluded.

#### Article 9 Related party transactions

1. When acquiring assets from or disposing of assets to related parties, besides following related resolution procedures and evaluating the reasonableness of transaction terms according to the preceding article and this article, if the transaction amount equals 10% of the company's total assets or higher, an appraisal report from a professional appraisal service or an accountant's opinion shall also be obtained in accordance with the preceding article.

Calculation of the amount of transaction described in the preceding paragraph shall be made according to Paragraph 5 of Article. 8.

When judging whether a trading counterpart is a related party, besides legal definitions, the substantial relationship shall also be taken into consideration.

2. When the company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount equals 20 % of the paid-in capital or more, 10 % of the company's total assets or more, or NT\$300 million or more, except for transactions of government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of domestic money market funds, the company must present the following information to the Audit Committee and the transaction must be approved by the majority of the committee and also ratified by the Board of Directors before the contract is signed and payments made. At the same time, Paragraphs 8 and 9 of Article 14 are applicable *mutatis mutandis*.

(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets;

(2) The reason for choosing the related party as a trading counterpart;

(3) With respect to the acquisition of real estate property from a related party, information on appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16;

(4) The date and price at which the related party originally acquired the real estate property, the original trading counterpart, and that trading counterpart's relationship with the company and

the related party;

(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization;

(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article;

(7) Restrictive covenants and other important agreements associated with the transaction;

Calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 13, and the phrase of "within one year" refers to the year preceding the date of the current transaction. Items that have been approved by the Audit Committee and ratified by the Board of Directors need not be concluded.

When a matter is presented for discussion by the Board of Directors according to Paragraph 2 of this article, the Board shall fully consider each independent director's opinion. If an independent director objects to or expresses reservations on any matter, it shall be recorded in the minutes of the Board of Directors meeting.

3. When acquiring real estate from a related party, the reasonableness of the transaction cost shall be evaluated by using the following approaches (the transaction costs of a piece of land and the structure thereon co-purchased may be separately evaluated with one of the following approaches):

(1) The related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" imputes as the weighted average interest rate on borrowing in the year the company purchases the asset; it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance;

(2) If the related party has previously created a mortgage on the property as security for a loan; the actual cumulative amount loaned by the financial institution should have been 70 % or more of the financial institution's appraised loan value of the property and the period of the loan should have been 1 year or more. However, this shall not apply if the financial institution is a related party to one of the trading counterparts.

4. When acquiring real estate from a related party, besides obtaining an appraisal for the property according to Paragraph 3 of this Article, a certified public accountant shall also be engaged to review the appraisal and provide a concrete opinion.

5. When acquiring real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 2 of this article but Paragraphs 3 and 4 will not apply:

- (1) The related party has acquired the real estate through inheritance or as a gift;
  - (2) More than 5 years has elapsed from the time the related party signed the contract to obtain the real estate to the date of contract signature for the current transaction;
  - (3) The real estate is acquired through a joint development contract with the related party, or through engaging a related party to construct buildings, either on the company's own land or on rented land;
6. While acquiring real estate from a related party and the results of appraisals conducted in accordance with paragraph 3 of this article are all lower than the transaction price, the steps prescribed in Paragraph 7 shall be followed. However, if in one of the following circumstances and objective evidences as well as appraisal from a professional appraisers and concrete opinions on price reasonableness are provided, the preceding paragraph shall not apply:
- (1) If the related party has acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    1. The undeveloped land was appraised in accordance with the approaches stated in the preceding article, the value of the structures has been calculated according to the related party's construction cost plus reasonable construction profit, and the total exceeds the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division in the three most recent years or the gross profit margin for the construction industry in the most recent period announced by the Ministry of Finance, whichever is lower;
    2. Completed property transactions of similar surface areas by unrelated parties in the preceding year involving other floors of the building or in the vicinity and if the transaction terms are similar after the calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices;
    3. Completed leasing transactions by unrelated parties for other floors of the same property the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices;
  - (2) Provision of evidence that the transaction terms are similar to the terms of transactions completed by unrelated parties in the preceding year to acquire or dispose of properties of similar sizes in the vicinity;

- (3) The "completed transactions in the vicinity" stated in (3), (2) and (1) refer to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close to publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 % of the property in the planned transaction; in the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate.
7. When acquiring real estate from a related party and the results of appraisals conducted in accordance with paragraphs 3, 4, 5, and 6 are all lower than the transaction price, the following steps shall be taken:
    - (1) A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for increasing the capital. If a public company uses the equity method to account for its investment in this Company, the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act will not apply. The special reserve set aside according to the preceding paragraph may not be utilized until the Company has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there is nothing unreasonable about utilizing the special reserve, and the Financial Supervisory Commission has given its consent.
    - (2) The Audit Committee shall act in compliance with Article 218 of the Company Act.
    - (3) The results of measures taken according to (1) and (2) shall be presented at a shareholders' meeting and the transaction details disclosed in the annual report and the investment prospectus.

When this Company obtains real estate from a related party, it shall also comply with (1), (2), and (3) of Paragraph 7 if there is other evidence indicating that the acquisition is not an arm's length transaction.

Article 10 Acquisition or disposal of memberships, intangible assets or claims of financial institutions:

1. When the company intends to acquire or dispose of memberships or intangible assets and the transaction amount is less than NT\$3 million, the transaction shall require the approval of the chairperson and shall also be presented for reference during the first Board of Directors meeting afterwards. Transactions valued more than NT\$3 million require the approval of the Board of Directors before execution.
2. In principle, the company does not engage in acquisition or disposal of

claims of financial institutions. If it intends to do so in the future, such transactions must be presented to the Audit Committee and approved by the majority of the committee and also ratified by the Board of Directors before establishment of corresponding evaluation and operating procedures.

#### Article 11 Engaging in Derivatives Trading

When engaging in derivatives trading, the Company shall comply with its "Derivatives Trading Procedures" and also pay attention to risk control and audit matters to ensure sound internal control.

#### Article 12 Corporate mergers, demergers, acquisitions and share transfers

1. Before conducting a merger, demerger, acquisition, or transfer of shares and convening a Board of Directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders and present it to the Board of Directors for discussion and ratification.
2. When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing the important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and also include the expert opinion referred to in the preceding paragraph to send to shareholders along with the shareholders' meeting notice to serve as reference for them to decide whether to approve the activity. However, where a provision of another act exempts a company from convening a shareholder meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. If the shareholder meeting of any one of the companies participating in a merger, demerger, or acquisition cannot be convened due to lack of quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the expected date of the next shareholders' meeting.
3. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
4. Except under the following circumstances, the share exchange ratio or acquisition price may not be altered arbitrarily and the circumstances permitting alteration shall be stipulated in the contract for the merger, demerger, acquisition, or transfer of shares:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities;
  - (2) An action, such as disposal of major assets, that affects the company's financial operations;
  - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price;
  - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock;
  - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares;
  - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
5. A contract for participation in a merger, demerger, acquisition, or of shares shall indicate the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- (1) Handling of breach of contract
  - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged;
  - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof;
  - (4) The manner of handling changes in the number of participating entities or companies;
  - (5) Expected plan execution progress and anticipated completion; date
  - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures
6. After public disclosure of the information on the Company's participation in a merger, demerger, acquisition or transfer of shares, if any company participating in the merger, demerger, acquisition, or share transfer intends to further carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies decreased and a participating company's shareholders meeting has adopted a resolution

authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve the matter anew.

7. If any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with Paragraphs 3, 6 and 10 of this article.
8. Companies participating in a merger, demerger or acquisition, besides otherwise stipulated in related laws or having obtained the approval of the Financial Supervisory Commission under special circumstances, shall convene a Board of Directors meeting and a shareholders' meeting on the same day to decide on the merger, demerger or acquisition. Companies participating in a transfer of shares, otherwise stipulated in related laws or having obtained the approval of the Financial Supervisory Commission under special circumstances, shall convene a Board of Directors meeting. Companies listed at the TWSE or TPEX participating in a merger, demerger, acquisition or transfer of shares shall keep the following complete written records and keep them for five years for verification.
  - (1) Basic personnel information: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information;
  - (2) Dates of important events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and Board of Directors meetings convened;
  - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, important contracts, and board of directors meeting minutes.
9. Companies listed on TWSE or TPEX and participating in a merger, demerger, acquisition, or transfer of shares shall file the data specified in Sub-paragraphs 1 and 2 of the preceding paragraph in the specified format with the Financial Supervisory Commission for reference through the Internet-based information system within 2 days of the Board of Directors approval.
10. Companies not listed on TWSE or TPEX and participating in a merger, demerger, acquisition, or transfer of shares and participating in a merger, demerger, acquisition, or transfer of shares shall sign an agreements with companies listed on TWSE or TPEX and conduct the transaction according to Paragraphs 8 and 9.

## Article 13 Information disclosure procedures

1. When an asset acquisition or disposal involves one of the following situations, the Company shall act according to the nature of the transaction and adopt the established format to announce and file the transaction or disposal within two days after the occurrence of the event on the information-filing website of the Financial Supervisory Commission.
  - (1) If it is an acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party and the transaction amount equals 20 % of paid-in capital or more, 10 % of the company's total assets or more, or NT\$300 million or more and if transactions of bonds under repurchase and resale agreements, or subscription to or redemption of domestic currency market funds are not included;
  - (2) The transaction is a merger, demerger, acquisition or transfer of shares;
  - (3) The loss from derivatives trading reaches the upper limit on aggregate loss or individual contract loss set forth in the procedures adopted by the Company;
  - (4) Asset trading, claims disposed by financial institutions and investments in the Chinese Mainland with transaction amounts achieving 20% of the Company's paid-in capital or more or NT\$300 million or more. The following situations are excluded:
    1. Trading in government bonds;
    2. Transactions of bonds under repurchase and resale agreements, or subscription to or redemption of domestic currency market funds;
    3. The transaction is an acquisition or disposal of operating equipment, the counterpart is not a related party and the transaction amount reaches NT\$500 million or more.
    4. The transaction is a construction project on the company's own land or leased land, or a joint construction project involving allocation of housing units, joint construction project involving allocation of ownership %ages, or joint construction and separate sales, and the transaction amount is less than NT\$500 million (the amount the Company expects to invest).
2. The amounts of transaction described in the preceding paragraph shall be calculated according to the following:
  - (1) The amount of each individual transaction;
  - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterpart within the past year;



- (3) The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals respectively) within the same development project during the past year;
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals respectively) of the same securities in the past year.

"Within the past year" as used here refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount.

In principle, the "date of occurrence" shall be the date of contract signature, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or any other date on which the counterpart and amount of the transaction can be confirmed. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.

3. This Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and by any subsidiaries that are not domestic public companies and upload the information in the prescribed format to the information filing website designated by the Financial Supervisory Commission by the 10th of each month;
4. When the Company needs to correct an error or omission made at the time of public announcement as required according to regulations, all the items shall be publicly announced again.
5. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions in the company for 5 years unless otherwise stipulated in related laws.
6. If a transaction announced and filed according to related regulations involves one of the following situations, the Company shall upload related information to the information filing website of the Financial Supervisory Commission within two days after the date of occurrence:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction happens.
  - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change is made to the originally publicly announced and reported information.

#### Article 14 Other matters

1. When a non-public company subsidiary of the Company acquires or disposes of assets and needs to announce and file the transaction, the Company shall make the announcement and do the filing. The

paid-in capital or total assets of the public company shall be the standard for determining whether or not a transaction conducted by a subsidiary equals 20 % of the paid-in capital or 10 % of the total assets.

2. A subsidiary of the Company acquiring or disposing of assets shall establish "asset acquisition to disposal procedures" according to related regulations and give a copy to each supervisor and also present it for approval by the Board of Directors after they are ratified by the Board of Directors of the subsidiary. The same procedure shall apply when amendments are made.  
This Company shall supervise acquisitions or disposal of assets by its subsidiaries and the supervision or management shall be conducted according to related regulations of the Company and "asset acquisition or disposal procedures" of each subsidiary.
3. When concerned personnel violate these procedures and related laws and regulations, the Company may administer punishments, including admonitions, demerits, demotions, suspensions, pay cuts, etc., according to the seriousness of the violation and also record the violation as a matter for internal review.
4. Matters that these procedures fail to cover shall be conducted according to related laws and regulations and related regulations of the Company. If the competent authority announces amendments to acquisition or disposal regulations, the Company shall act according to the new regulations.
5. For the calculation of 10 % of total assets under these procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
6. With company shares that have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 % of paid-in capital under these Regulations, 10 % of equity attributable to owners of the parent shall be substituted.
7. These procedures require the approval by the majority of the Audit Committee, resolved by the Board of Directors and ratified by the shareholders' meeting before implementation. If any director expresses objection and it is recorded or presented in a written statement, the Company shall turn in the objection information to the Audit Committee and also present it for discussion in a shareholders' meeting. The same procedure shall also apply when amendments are made. When the Board of Directors discuss these procedures, the opinion of each independent director shall be fully taken into consideration. If any director expresses objection or reserves his or her opinion, it shall be recorded in the Board of Directors meeting minutes.
8. If approval by the majority of the Audit Committee as required in the

preceding paragraph is not obtained, approval by more than two-thirds of all the directors may be acquired instead and the resolution shall be recorded in the minutes of the Board of Directors meeting.

9. All the members of the Audit Committee referred to in Paragraph 7 and all the directors mentioned in the preceding paragraph shall be calculated according to the numbers on incumbent members and directors.

Appendix VIII

**Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Shares Held by Directors**

Unit: shares

Title	Name	As of the transfer suspension day on April 2, 2017		Juristic person representatives
		Ownership	Shareholding ratio	
Chairman	Hsun-Sheng Wang	2,854,230	3.68%	
Director	Hsun-Hui Wang	1,864,768	2.40%	
Director	China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%	Yin-Nan Sun
Director	Wang Ming-Ning Memorial Foundation	1,691,982	2.18%	Chih-Ping Yang
Independent Director	Cheng-Hsien Tsai	0	0.00%	
Independent Director	Kuo-Chiang Wang	0	0.00%	
Independent Director	Chih-Hsien Chang	0	0.00%	
Total shares held of directors		23,742,044	30.61%	

Notes: 1. The paid-in capital of the Company is currently NT\$775,600,000. The face value per share is NT\$10 and 77,560,000 shares have been issued.

2. According to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the ratio of shares held by all the directors to the total number of shares issued shall be 8%.

The minimum total number of shares to be held by all the directors shall be 6,204,800 shares.

3. The Company has set up an audit committee. Hence, the regulation on the number of shares to be held by supervisors is not applicable.

4. The shares in the possession of all the directors have reached the statutory limit of %age.

**Appendix 9**

**Chunghwa Chemical Synthesis & Biotech Co., Ltd.**

**The impact of stock grants proposed during the shareholder meeting  
on the company's performance and earnings per share**

There was no proposal for stock grants during the 2016 Chunghwa Chemical Synthesis & Biotech Co., Ltd. Shareholder Meeting; therefore, this is not applicable.