



## Minutes of the 2017 Annual Shareholder Meeting of Chungwa Chemical Synthesis & Biotech Co., Ltd.

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)

Attendees:

Attending was shareholders and shareholders' proxies representing 56,370,053 shares (including 297,600 shares exercising their voting rights through e-voting). The number of shares present at the meeting represents 72.67% of the Company's total issued shares of 77,560,000.

The following directors were present:

Hsun-Sheng Wang, Hsun-Hui Wang, Yin-Nan Sun, Chih-Ping Yang

The following independent directors were present:

Kuo-Chiang Wang (convener of the Audit Committee and member of the Compensation Committee)

Chih-Hsien Chang (member of both the Audit and Compensation Committees)

Also present:

Chi-Hsi Chao, Lawyer associated with LCS & Partners

Chairman: Hsun-Sheng Wang

Minutes recorded by: I-Hsiu Li

(The Chairperson determined that a quorum was present either in person or by proxy, and the meeting could thus be called to order.)

I. Meeting called to order

II. Chairperson's Remarks (N/A)

III. Management Presentation

1. 2016 Business Report—see Appendices I.

2. Audit committee's review report on the 2016 financial statements—see Appendices II.

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, 2017.

(2) No proposals from shareholders were received for this shareholders' meeting.

#### IV. 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 Appendices I and III 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.

Results of the voting:

Total votes attending: 54,943,168

For: 54,913,131 votes (277,563 votes cast over electronic facilities), accounting for 99.94% of the total of all votes attending.

Against: 1,481 votes (1,481 votes cast over electronic facilities).

Invalid votes: 0

Abstained votes: 28,556 (18,556 votes abstained over electronic facilities)

Resolution: Pass as proposed

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 Appendices IV for details of Profit 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 profit 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 profit distribution.

Results of the voting:

Total votes attending: 54,943,168

For: 54,899,128 votes (263,560 votes cast over electronic facilities), accounting for 99.91% of the total of all votes attending.

Against: 15,484 votes (15,484 votes cast over electronic facilities).

Invalid votes: 0

Abstained votes: 28,556 (18,556 votes abstained over electronic facilities)

Resolution: Pass as proposed

## V. 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 <u>Paragraph 8</u>, 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 the competent authority for a final decision.</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 or disposal, the objective for the decision, information on the trading counterpart, the</p>	

Provisions after amendment	Current articles	Description
<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>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 and also ratified by the board of directors before its execution.</u></p> <p>2. When the value of a fixed asset</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 million is to be submitted for approval by the chairperson and also</p>	

Provisions after amendment	Current articles	Description
<p>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 accordance with the regulations of the established approval authority. If the</p>	<p>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>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 opinion of a certified public accountant on the reasonableness of the transaction price must be obtained. If 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. <ol style="list-style-type: none"> <li>(1) Securities acquired through cash in a corporation through promotion or by public offering</li> <li>(2) Securities issued at face value by an issuing company increasing the capital in</li> </ol> </li> </ol>	

Provisions after amendment	Current articles	Description
<p>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 reverse purchase agreements.</p> <p>(6) Domestic or overseas mutual funds.</p>	<p>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-0930005249</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, 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</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>(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 or <u>domestic corporate bonds (including financial bonds)</u> subscribed to, 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, or <u>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 worth 20 % of the paid-in capital or more or NT\$300 million or more, except for transactions with government agencies, the</p>	<p>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>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 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.</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 board of directors meeting.</p> <p>3~7 (Deleted)</p>	

Provisions after amendment	Current articles	Description
<p>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>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>	

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>Certain wording needs revision in 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>	

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>1. <u>NT\$500 million or more for public companies with paid-in capital less than NT\$10 billion</u></p> <p>2. <u>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>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>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>Revision in accordance with Articles 14 and 15 of 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 7, Paragraph 2 of Article 9,</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>Article 10 and Paragraph 1 of Article 12 of the Disposal Procedure shall apply mutatis mutandis.</u> 9 (Deleted)		

Results of the voting:

Total votes attending: 54,943,168

For: 54,901,085 votes (265,517 votes cast over electronic facilities), accounting for 99.92% of the total of all votes attending.

Against: 13,527 votes (13,527 votes cast over electronic facilities).

Invalid votes: 0

Abstained votes: 28,556 (18,556 votes abstained over electronic facilities)

Resolution: Pass as proposed

VI. Questions and Motions: none

VII. Adjournment: 09:33 a.m.

Chairperson: Hsun-Sheng Wang

Minutes recorded by: I-Hsiu Li

# 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>	<u>93,089</u>	<u>8</u>	<u>336,106</u>	<u>29</u>
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	<u>155</u>	<u>-</u>	<u>493</u>	<u>-</u>
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	<u>\$ 60,283</u>	<u>5</u>	<u>\$ 308,356</u>	<u>26</u>
8520 Non-controlling Interests	<u>(\$ 100)</u>	<u>-</u>	<u>(\$ 45)</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>				
8710 Owners of the parent company	<u>\$ 51,503</u>	<u>4</u>	<u>\$ 303,355</u>	<u>26</u>
8720 Non-controlling Interests	<u>(\$ 104)</u>	<u>-</u>	<u>(\$ 31)</u>	<u>-</u>
<b>Earnings Per Share</b>				
9750 <b>Basic earnings per share</b>	<u>\$ 0.78</u>		<u>\$ 3.98</u>	
9850 <b>Diluted earnings per share</b>	<u>\$ 0.77</u>		<u>\$ 3.96</u>	

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

Unit: NT\$'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: NTS'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	%
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>	<b>704,779</b>	<b>26</b>	<b>804,454</b>	<b>28</b>
<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>	<b>2,017,983</b>	<b>74</b>	<b>2,036,199</b>	<b>72</b>
1XXX <b>Total assets</b>	<b>\$ 2,722,762</b>	<b>100</b>	<b>\$ 2,840,653</b>	<b>100</b>

(To be continued)

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

Unit: NT\$'000

Liability and Shareholder's Equity	<u>2</u>	<u>0</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
	A	m	o	u	n	t	%	%
<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	(		11,039)	-	(		3,018)	-
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

Item	(Except the unit of earnings per share, which is NT dollar)			
	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>	<u>\$ 0.78</u>		<u>\$ 3.98</u>	
9850 <b>Diluted earnings per share</b>	<u>\$ 0.77</u>		<u>\$ 3.96</u>	

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

	<u>C a p i t a l</u>		<u>S u r p l u s</u>		<u>R e t a i n e d</u>		<u>E a r n i n g s</u>		<u>O t h e r</u>		<u>E q u i t y</u>	
	<u>Capital of Common Stock</u>	<u>Issue premium</u>	<u>O t h e r s</u>	<u>Statutory Surplus R e s e r v e</u>	<u>Special Surplus R e s e r v e</u>	<u>Undistributed E a r n i n g s</u>	<u>Differences in foreign conversion operations Exchange difference in the financial statement conversion</u>	<u>Unrealized gain or loss on available-for-sale financial assets</u>	<u>Total equity</u>			
<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: NTS'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: NTS'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>	