



Chunghwa Chemical Synthesis & Biotech Co., Ltd.

# Agenda of 2018 General Shareholders Meeting



**Time:** 9:00am on May 31 (Thursday), 2018

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

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

## **2018 General Shareholders Meeting Procedures**

- I. Announcement on attendants holding shares
- II. Commence Meeting
- III. Chairman's Speech
- IV. Matters to be reported
- V. Matters to be ratified
- VI. Matters to be discussed
- VII. Extempore Motion
- VIII. Adjournment

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

## **2018 General Shareholders Meeting Agenda**

Time: 9:00am on May 31 (Thursday), 2018

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

- I. Announcement on attendants holding shares
- II. Commence Meeting
- III. Chairman's Speech
- IV. Matters to be reported
  - (I) 2017 Business Report.
  - (II) Audit committee's review report on the 2017 financial results.
  - (III) Report on the 2017 employees' compensation and remuneration to directors.
  - (IV) Other reports.
- V. Matters to be ratified
  - (I) 2017 Business Report and Financial Statements.
  - (II) Distribution of 2017 earnings.
- VI. Matters to be discussed
  - (I) Proposal of amendment to the Company's "Procedures for Financial Derivatives Transactions"
- VII. Extempore Motion
- VIII. Adjournment

## Matters to be reported

- I. 2017 Business Report, please refer to Appendix I (Pages 20~23).
- II. Audit Committee's review report on the 2017 financial results, please refer to Appendix II (Page 24).

- III. Report on the 2017 employees' compensation and remuneration to directors.

Note: (I) The Board of Directors resolved on March 12, 2018 to pay cash in the amount of NTD11,025,000 as employee compensation and NTD1,102,500 as director remuneration.

(II) The amounts mentioned above are the same as the recognized expenses in 2017.

- IV. Other reports

Note: (I) In accordance with the requirement of Article 172-1 of the Company Act, the Company will receive shareholder proposals during the period from March 31 to April 9, 2018.

(II) There are no shareholder proposals received for the general shareholders meeting this year.

## Matters to be ratified

### 1. Ratification of the 2017 Business Report and Financial Statements.

- Note: I. The 2017 Consolidated Financial Report and the Parent Company Only Financial Statements 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 Shufen Yu and Shuqiong Chang, the certified public accountants in PwC Taiwan.
- II. For details of the 2017 Business Report, Auditor Report, Consolidated Financial Report and Parent Company Only Financial Statements, please refer to Appendix I (Pages 20–23) and Appendix III (Pages 25–46).
- III. Please Ratify.

Resolution:

### 2. Ratification of the Distribution of 2017 earnings.

- Note: I. For the proposal of earnings distribution, please see Appendix IV (Page 47).
- II. The cash dividend will be NTD0.5 per share this year. In case the outstanding shares change due to the Company's share buyback, transferring or retiring of treasury shares, changing convertible bonds into common shares, or the execution of employee option, which leads to the fluctuation of dividend distribution rates, or if such changes have to be made as instructed by the competent authority, shareholders are requested to authorize the Board of Directors for the administrative process.
- III. Regarding the distribution of earnings, we propose to the 2018 General Shareholders Meeting for approving the resolution and authorizing the Board of Directors to decide on the record date and relevant details.

Resolution:

## Matters to be discussed

### 1. Amendment to the Company's "Procedures for Financial Derivatives Transactions"

- Note: I. In order to suit the needs of operation and meet the regulatory requirements, we propose making amendments to the Company's "Procedures for Financial Derivatives Transactions" in accordance with the "the Procedures for Acquisition or Disposal of Assets"
- II. The comparison table for the "Procedures for Financial Derivatives Transactions" Before and After Revision is presented below.

Before the revision	After the revision	Description
<p>Article 2: Applicable Scope</p> <p>1. Derivative products are here defined as financial instruments that derive their value from the performance of underlying assets, interest rates, currency exchange rates, indexes or other targets, which include forwards, options, futures, leverage contracts, swaps, and their combined contracts.</p> <p>2. The forwards referred above do not contain insurance, performance, after-sale service, long-term lease and long-term sales/procurement contracts.</p>	<p>Article 2: Applicable Scope</p> <p>1. Derivative products are here defined as financial instruments that derive their value from the performance of underlying assets, interest rates, currency exchange rates, indexes or other targets, which include forwards, options, futures, leverage contracts, swaps, and their combined contracts.</p> <p>2. The forwards referred above do not contain insurance, performance, after-sale service, long-term lease and long-term sales/procurement contracts.</p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the "the Procedures for Acquisition or Disposal of Assets"</p>
<p>Article 3: Trading Principles and Strategies</p> <p>The trading principles and strategies here shall include the types of derivatives that can be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and individual contracts.</p> <p>1. The types of derivatives that can be traded (omitted):</p> <p>2. Operational or hedging strategy</p> <p>The Company's derivatives trading can be categorized into "hedging purpose" and "trading purpose" transactions, as described below:</p> <p>(1) Strategy for hedging-purpose derivatives transaction</p>	<p>Article 3: Trading Principles and Strategies</p> <p>The trading principles and strategies here shall include the types of derivatives that can be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and individual contracts.</p> <p>1. The types of derivatives that can be traded (omitted):</p> <p>2. Operational or hedging strategy</p> <p>The Company's derivatives trading can be categorized into "hedging purpose" and "trading purpose" transactions. <u>Derivatives trading activities shall aim at maintaining the Company's operating profit and avoiding risk derived from exchange rate.</u></p>	

Before the revision	After the revision	Description
<p>The Company adopts the principle of optional hedging in derivatives trading, in which it shall operate incrementally to the adverse risk that comes from expected value changes in the underlying derivative products on the asset or liability positions held or needed by the Company.</p> <p>(2) Strategy for trading purpose derivatives transaction Due to the changing environment, in order to increase non-operating income or decrease non-operating losses for the Company, trading personnel shall seize the opportunity to engage in trading purpose derivatives transactions.</p> <p>3. Maximum amount limits on derivatives contracts</p> <p>(1) The position on hedging purpose derivatives shall not exceed 40% of the Company's net worth in the previous period.</p> <p>(2) The position on trading purpose derivatives shall not exceed 5% of the Company's net worth in the previous period.</p> <p>(3) The total amount of the above-mentioned hedging purpose and trading-purpose derivatives shall not exceed 45% of the Company's net worth in the previous period.</p> <p>4. Maximum loss limit on total trading and individual contracts</p> <p>(1) Hedging purpose derivatives transactions: Since hedging purpose derivatives transactions are made for the company's specific needs, and the underlying risk has been controlled and evaluated beforehand, there is no</p>	<p><u>interest rate, or fluctuation of asset prices. The strategies are described below.</u></p> <p>(1) Strategy of hedging purpose derivatives transactions <del>The Company adopts the principle of optional hedging in derivatives trading, in which it shall operate incrementally to the adverse risk that comes from expected value changes in the underlying derivative products on the asset or liability positions held or needed by the Company.</del> <u>The Company's derivatives trading shall aim at avoiding risk. The hedging amount should be based on the receivables and payables derived from the Company's business or the net position of assets and liabilities in different currencies after offsetting.</u></p> <p>(2) Strategy for trading purpose derivatives transactions Due to the changing environment, in order to increase non-operating income or decrease lower non-operating losses expenses for the Company, trading personnel shall seize opportunities to engage in trading-purpose derivatives transactions.</p> <p>3. Maximum amount limits on derivatives contracts</p> <p>(1) The position on hedging purpose derivatives shall not exceed 40% of the Company's net worth in the previous period.</p> <p>(2) The position on trading purpose derivatives shall not exceed 5% of the Company's net worth in the previous period.</p> <p>(3) The total <u>uncleared</u> amount</p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the "the Procedures for Acquisition or Disposal of Assets"</p>



Before the revision	After the revision	Description
<p>concern for the maximum loss limit.</p> <p>(2) Trading purpose derivatives transactions: The transaction amount shall be made within the limit authorized by the management team. After the trading position has been established, a stop loss point shall be defined to avoid excess losses. The stop loss point shall not be larger than 6% of the trading contract amount.</p> <p>5. Authorization / Delegation: The authorization and delegation of the Company are as follows:</p> <p>(1) The Board of Directors; chairperson: The senior management team in the Company’s derivatives product trading.</p> <p>(2) President The president is authorized by the Board of Directors as the senior executive officer in the Company’s derivatives product trading.</p> <p>(3) Financial department The personnel responsible for the execution of the Company’s derivatives product trading. Its duties include collecting data about derivatives products and related regulatory requirements, designing hedging strategy, disclosing future risk, and providing timely information for relevant departments. Estimating the Company’s needs for foreign exchange and other hedging positions, avoiding losses in accordance with the Company’s policy, and maintaining income and cost level. Controlling every position in derivatives</p>	<p>of the derivatives transactions mentioned above shall not exceed 45% of the net worth in the previous period.</p> <p>4. Maximum loss limit on total trading and individual contracts</p> <p>(1) Hedging purpose derivatives transactions: <del>Since hedging purpose derivatives transactions are made for the company’s specific needs, and the underlying risk has been controlled and evaluated beforehand, there is no concern for the maximum loss limit. The maximum loss limit of the hedging purpose transactions shall not exceed 20% of the contract and is applicable to both individual and total trading contracts.</del></p> <p>(2) Trading purpose derivatives transactions: The transaction amount shall be made within the limit authorized by the management team. After the trading position has been established, a stop loss point shall be defined to avoid excess losses. The stop loss point shall not be larger than 6% of the trading contract amount, <u>and is applicable to both individual and total trading contracts.</u></p> <p>5. Authorization / Delegation: The authorization and delegation of the Company are as follows.</p> <p>(1) The Board of Directors; chairperson: The senior management team in the Company’s derivatives product trading.</p> <p>(2) President The president is authorized by the Board of Directors as the senior executive officer</p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets .”</p>

Before the revision	After the revision	Description
<p>product trading and evaluating unrealized income and losses at market value.</p> <p>(4) Accounting department Obtaining information about the Company’s current trading positions anytime and periodically evaluating realized or unrealized income and losses. Meanwhile, the accounting department shall confirm every trade in order to implement the procedures for engaging in derivatives trading. In addition, it shall enter the trades into account in accordance with relevant requirements. Afterwards, it shall also periodically evaluate the positions held at fair market price and disclose related items of the derivatives in the financial statement.</p> <p>(5) Auditing department: Examining the appropriateness of internal control in the trading process anytime in accordance with the requirements of internal audit operation.</p> <p>(6) Cashier department: Publish the financial information according to the data provided by the financial department within the prescribed time period after the accounting department has confirmed the details.</p> <p>6. Performance evaluation</p> <p>(1) Calling a meeting every month to evaluate the performance of derivatives trading. The meeting shall be led by the chairperson or president.</p> <p>(2) At the end of every month, the financial department shall write reports on the</p>	<p>in the Company’s derivatives product trading.</p> <p>(3) Financial department The <del>personnel</del> department responsible for the execution of the Company’s derivatives product trading. Its duties include collecting data about derivatives products and related regulatory requirements, designing hedging strategy, disclosing future risk, and providing timely information for relevant departments. Estimating the Company’s needs for foreign exchange and other hedging positions, avoiding losses in accordance with the Company’s policy, and maintaining income and cost level. Controlling every position in derivatives product trading and evaluating unrealized income and losses at market value.</p> <p>(4) Accounting department <del>Obtaining information about the Company’s current trading positions anytime and periodically evaluating realized or unrealized income and losses. Meanwhile, the accounting department shall confirm every trade in order to implement the procedures for engaging in derivatives trading. In addition, it shall enter the trades into account in accordance with relevant requirements. Afterwards, it shall also periodically evaluate the positions held at fair market price and disclose related items of the derivatives in the financial statement. Making</del> <u>accounting vouchers and entries based on related</u></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>

Before the revision	After the revision	Description
<p>foreign exchange position, summarize the monthly exchange gains and losses and the open interest of trading purpose derivatives transactions, and conduct a performance review.</p> <p>(3) Every three months, the financial department shall report to the Board of Directors on the foreign exchange position, the dollar amount of hedging purpose and trading purpose derivatives, and prediction of annual exchange gains and losses.</p>	<p><u>transaction certificates.</u></p> <p>(5) Auditing department: Examining the appropriateness of internal control in the trading process anytime in accordance with the requirements of internal audit operation.</p> <p>(6) Cashier department: <del>Publish the financial information according to the data provided by the financial department within the prescribed time period after the accounting department has confirmed the details.</del></p> <p>6. Performance evaluation</p> <p>(1) <del>Calling a meeting every month to evaluate the performance of derivatives trading. The meeting shall be led by the chairperson or president. Hedging purpose transactions: of which the performance evaluation is based on the Company's exchange rate (interest rate) cost and the gains and losses derived from derivatives product trading.</del></p> <p>(2) <del>At the end of every month, the financial department shall write reports on the foreign exchange position, summarize the monthly exchange gains and losses and the open interest of trading purpose derivatives transactions, and conduct a performance review. Trading purpose transactions: of which the performance evaluation is based on the realized gains and losses.</del></p> <p>(3) <del>Every three months, the financial department shall report to the Board of Directors on the foreign exchange position, the dollar amount of hedging purpose</del></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>

Before the revision	After the revision	Description
	<p style="text-align: center;"><del>and trading purpose derivatives, and prediction of annual exchange gains and losses.</del></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets.”</p>
<p>Article 4: Operating procedures</p> <p>1. Operating procedures for derivatives products</p> <p>(1) After discussing the feasibility of derivatives product trading in the meeting held by the president, the financial department shall conduct bidding, questioning, and trading within the authorized quota.</p> <p>(2) Once the transaction has been completed, it shall be filled in the order by the trader and then handed to the accounting department for item-by-item checking based on an outside confirmation list and entered into account.</p> <p>(3) Open interest transactions shall be evaluated by the accounting department at the fair market price. The accounting department shall also provide related reports to the management team for performance review.</p> <p>(4) When the trade reaches its expiry date, the financial department shall prepare receipts or invoices along with related documents for delivery.</p> <p>(5) The information of derivatives product trading shall be provided by the financial department and audited by the accounting department, and published within the required time period by the shareholder services department.</p> <p>2. Authorized quota of derivatives trading (omitted):</p> <p>3. Execution department: In principle, derivatives</p>	<p>Article 4: Operating procedures</p> <p>1. Operating procedures for derivatives products</p> <p>(1) <u>After discussing the feasibility of derivatives product trading in the meeting held by the president, the financial department shall conduct bidding, questioning, and trading within the authorized quota. Traders shall conduct transactions in accordance with the requirements of Article 3 herein.</u></p> <p>(2) Once the transaction has been completed, it shall be filled in the order by the trader <del>and then handed to the accounting department for item-by-item checking based on an outside confirmation list and entered into account.</del> <u>The transaction detail shall also be confirmed by responsible personnel to make sure of its consistency with the information on the order.</u></p> <p><del>(3) Open interest transactions shall be evaluated by the accounting department at the fair market price. The accounting department shall also provide related reports to the management team for performance review.</del></p> <p>(4) <u>After the trade has been confirmed, the personnel responsible for delivery in the financial department shall prepare related payments and certificates on the expiry date for the delivery process. When the trade reaches its expiry date, the financial department</u></p>	

Before the revision	After the revision	Description
<p>product trading shall be made and managed by the financial department.</p>	<p><del>shall prepare receipts or invoices along with related documents for delivery.</del></p> <p>(5) <del>(5) The information of derivatives product trading shall be provided by the financial department and audited by the accounting department, and published within the required time period by the shareholder services department. The accounting department shall make accounting entries based on delivery vouchers and related transaction certificates.</del></p> <p>2. Authorized quota of derivatives trading (omitted):</p> <p>3. Execution department: In principle, derivatives product trading shall be made and managed by the financial department.</p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>
<p>Article 5: Regulatory Reporting Procedures</p> <p>1. For public companies, once the losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company, they shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days.</p> <p>2. The completed derivatives transaction shall be confirmed by relevant personnel in accordance with regulation requirements. shall compile monthly reports on the status of derivatives trading engaged in up until the end of the preceding month by itself, and for any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the reporting website designated by</p>	<p>Article 5: Regulatory Reporting Procedures</p> <p><del>1. For public companies, once the losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company, they shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days.</del></p> <p>1. <del>2. The completed derivatives transaction shall be confirmed by relevant personnel in accordance with regulation requirements.</del> The Company shall compile monthly reports on the status of derivatives trading engaged in up until the end of the preceding month by itself and for any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the reporting website</p>	

Before the revision	After the revision	Description
<p>the FSC by the 10th day of each month.</p>	<p>designated by the <del>FSC</del> the competent authority by the 10th day of each month.</p> <p>2. <u>If the losses from derivatives trading reach the Company's limits on aggregate losses or losses on individual contracts set out in the procedures, the Company shall enter related information into the website designated by the competent authority within two days after the losses occur.</u></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the "the Procedures for Acquisition or Disposal of Assets"</p>
<p>Article 6: Accounting Procedures The Company's accounting procedures for derivatives product transactions are established according to the requirements published by the competent authority and the ROC Accounting Research and Development Foundation (ARDF).</p>	<p>Article 6: Accounting Procedures <del>The Company's accounting procedures for derivatives product transactions are established according to the requirements published by the competent authority and the ROC Accounting Research and Development Foundation (ARDF).</del> <u>The derivatives product transaction is processed according to the requirements and the Statement of Financial Accounting Standards (SFAS) published by the competent authority and the Company's own accounting standards.</u></p>	
<p>Article 7: Internal Control System 1. Risk management measures Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department, and the personnel shall report to the Board of Directors or senior management personnel with no responsibility for trading or decision-making power on trading positions. (1) Concern for credit risk: the counter party in the transaction shall be mainly the financial institutions and futures brokers that have good relationships with the Company and are able to provide professional</p>	<p>Article 7: Internal Control System 1. Risk management measures <del>Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department, and the personnel shall report to the Board of Directors or senior management personnel with no responsibility for trading or decision-making power on trading positions.</del> (1) <del>Concern for Credit risk: the counter party in the transaction shall be mainly the financial institutions and futures brokers that have good relationships with the Company and are able to provide professional</del></p>	

Before the revision	After the revision	Description
<p>information.</p> <p>(2) Concern for market risk: since the future market price of derivatives may bring uncertain losses, the stop loss point shall be strictly executed after the position is made.</p> <p>(3) Concern for liquidity: to ensure liquidity, the trading institution must have adequate equipment, information, and ability to trade on any market.</p> <p>(4) Concern for operation: the authorized quota and operational procedures shall be followed fully to avoid operational risk.</p> <p>(5) Regulatory risk: any documents with outside signatures shall be examined by the law service department beforehand to avoid regulatory risk.</p> <p>(6) Product risk: inside traders shall be endowed with complete and correct knowledge about inside-traded derivatives to avoid losses.</p> <p>(7) Cash delivery risk: authorized traders shall not only strictly obey the rules of authorized trading quotas, but also keep notice of the Company's cash flow to make sure of the adequacy of cash in delivery.</p> <p>2. Internal control The goal of internal control is to detect transactions that are authorized, beyond-scope and un-recorded and losses that are not recognized. As a result, the Company set up the following rules for derivatives product transactions.</p> <p>(1) The authorities and duties of relevant personnel shall be well defined before the</p>	<p>information.</p> <p>(2) <del>Concern for</del> Market risk: since the future market price of derivatives may bring uncertain losses, the stop loss point shall be strictly executed after the position is made.</p> <p>(3) <del>Concern for</del> Liquidity risk: to ensure liquidity, the trading institution must have adequate equipment, information, and ability to trade on any market.</p> <p>(4) <del>Concern for</del> Operational risk: the authorized quota and operational procedures shall be fully followed to avoid operational risk.</p> <p>(5) Regulatory risk: any documents with outside signatures shall be examined by the law service department beforehand to avoid regulatory risk.</p> <p>(6) Product risk: inside traders shall be endowed with complete and correct knowledge about inside-traded derivatives to avoid losses.</p> <p>(7) Cash <del>delivery</del> liquidity risk: authorized traders shall not only strictly obey the rules of authorized trading quotas, but also keep notice of the Company's cash flow to make sure of the adequacy of cash in delivery.</p> <p>2. Internal control The goal of internal control is to detect transactions that are authorized, beyond-scope and un-recorded and losses that are not recognized. As a result, the Company set up the following rules for derivatives product transactions.</p> <p>(1) <del>The authorities and duties of relevant personnel shall be well defined before the</del></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the "the Procedures for Acquisition or Disposal of Assets"</p>

Before the revision	After the revision	Description
<p>transaction.</p> <p>(2) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>(3) Personnel engaged in derivatives trading shall provide transaction certificates or contracts to the accounting personnel for recording and auditing.</p> <p>(4) Accounting personnel shall periodically check with the Company's corresponding bank for account reconciliation or external confirmation.</p> <p>(5) The auditing and accounting personnel shall mind any time the total trading amount has exceeded the maximum limit in the requirements.</p> <p>(6) The Company shall establish independent confirmation and auditing systems in order to ensure the validity and rationality of the trading.</p> <p>(7) The accounting department shall periodically prepare income statements based on the fair market price for the management team in conducting performance reviews.</p> <p>(8) The auditing personnel are responsible for ex-post independent auditing on the whole transaction process.</p> <p>3. Periodical evaluation principle</p> <p>(1) Derivatives trading positions held shall be evaluated at market price; however, positions for hedge trades required by business shall be evaluated at least twice per month; other positions shall be evaluated once per week. Evaluation reports shall be submitted to senior management personnel</p>	<p><del>transaction.</del></p> <p>(1) <del>(2)</del> Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>(2) <del>(3)</del> <del>Personnel engaged in derivatives trading shall provide transaction certificates or contracts to the accounting personnel for recording and auditing.</del> <u>Once the trader has completed the transaction, the details shall be confirmed by relevant personnel with the counterparty and sent to the manager of the responsible unit for approval.</u></p> <p>(3) <del>(4)</del> The accounting personnel department shall periodically check with the Company's corresponding bank for account reconciliation or external confirmation. <u>The accounting personnel shall record transactions after confirming with related trading certificates and enter them into account based on the gains and losses evaluated at the market price provided by the financial personnel at the end of every month. Related vouchers shall be authorized by the manager of the responsible unit.</u></p> <p>(4) <del>(5)</del> The auditing <del>and</del> <del>accounting personnel</del> department shall mind any time the total trading amount has exceeded the maximum limit in the requirements.</p> <p><del>(6)</del> <del>The Company shall establish independent confirmation and auditing systems in order to ensure the validity and rationality of the trading.</del></p> <p><del>(7)</del> <del>The accounting department shall periodically prepare</del></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the "the Procedures for Acquisition or Disposal of Assets"</p>



Before the revision	After the revision	Description
<p>authorized by the Board of Directors.</p> <p>(2) The Board of Directors shall faithfully supervise and manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. The delegated senior manager (the president) shall oversee the supervision and the control of the risk of derivative transactions anytime.</li> <li>2. Periodically evaluate whether the performance of derivatives transactions conform to the formulated operational policies and whether the risk taken is within the capability of the Company.</li> </ol> <p>(3) Senior management personnel (president) authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate whether the current risk management measures employed are appropriate and are faithfully conducted in accordance with the “Procedures for Financial Derivatives Transactions” formulated by the Company.</li> <li>2. When irregular circumstances are found in the market evaluation report (e.g., the loss from trading positions has exceeded the loss limit), a report shall immediately be made to the Board of Directors, and appropriate measures shall be adopted.</li> </ol>	<p><del>income statements based on the fair market price for the management team in conducting performance reviews.</del></p> <p>(5) <del>(8)</del>—The auditing personnel department is <del>are</del> responsible for ex-post independent auditing on the whole transaction process.</p> <p>3. Periodical evaluation principle</p> <p><del>(1)</del>—Derivatives trading positions held shall be evaluated at market price; however, positions for hedge trades required by business shall be evaluated at least twice per month; other positions shall be evaluated once per week. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.</p> <p><del>(2)</del>—The Board of Directors shall <del>faithfully supervise and manage derivatives trading in accordance with the following principles:</del></p> <ol style="list-style-type: none"> <li><del>1. The delegated senior manager (the president) shall oversee the supervision and the control of the risk of derivative transactions anytime.</del></li> <li><del>2. Periodically evaluate whether the performance of derivatives transactions conform to the formulated operational policies and whether the risk taken is within the capability of the Company.</del></li> </ol> <p><del>(3)</del>—Senior management personnel (president) authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>

Before the revision	After the revision	Description
	<p><del>1. Periodically evaluate whether the current risk management measures employed are appropriate and are faithfully conducted in accordance with the “Procedures for Financial Derivatives Transactions” formulated by the Company.</del></p> <p><del>2. When irregular circumstances are found in the market evaluation report (e.g., the loss from trading positions has exceeded the loss limit), a report shall immediately be made to the Board of Directors, and appropriate measures shall be adopted.</del></p> <p><u>4. The supervision and management principles of the Board of Directors regarding derivatives trading</u></p> <p><u>(1) The Board of Directors shall assign a senior manager (the president) to oversee the supervision and the control of the risk of derivative transactions anytime. The principles are as follows:</u></p> <p><u>i. Periodically evaluate whether the risk management procedures currently being used are suitable and whether they conform with the “Procedures for Financial Derivatives Transactions” formulated by the Company.</u></p> <p><u>ii. If there are any abnormal situations in the market price evaluation reports (e.g., the held position has exceeded the loss limit), the senior manager shall report to the Board of Directors immediately and take necessary</u></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>

Before the revision	After the revision	Description
	<p><u>measures to deal with the situation.</u></p> <p>(2) <u>Periodically evaluate whether the performance of derivatives transactions conforms to the formulated operational policies and whether the risk taken is within the capability of the Company.</u></p> <p>(3) <u>After the Company has authorized relevant personnel in accordance with the “Procedures for Financial Derivatives Transactions,” it shall also report to the Board of Directors.</u></p> <p>(4) <u>The Company shall prepare a review journal for derivatives transactions and keep notes in detail of the types, amounts, Board of Directors’ approval dates, and other issues to be prudent with Article 7 herein for future reference.</u></p>	<p>In order to suit the needs of operation and meet the regulatory requirements, we propose making related amendments in accordance with the “the Procedures for Acquisition or Disposal of Assets”</p>
<p>Article 8: Internal Audit System</p> <p>1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully the trading department adheres to the “Procedures for Financial Derivatives Transactions,” and prepare an audit report for analyzing the trading cycle. If any material violation is discovered, all supervisors shall be notified in writing.</p> <p>2. The audit report on derivatives trading shall be filed along with the implementation status of annual internal audit plans to the information website required by SEC before the end of February next year. The Company shall also report the improvements of any abnormal affairs on the website required by SEC before the end of</p>	<p>Article 8: Internal Audit System</p> <p>1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully the trading department adheres to the “Procedures for Financial Derivatives Transactions,” and prepare an audit report for analyzing the trading cycle. If any material violation is discovered, all supervisors shall be notified in writing.</p> <p>2. The audit report on derivatives trading shall be <del>filed</del> reported along with the implementation status of annual audit plans to the <del>information website required by SEC</del> the competent authority before the end of February next year. The Company shall also report the improvements of any abnormal affairs <del>on the website</del></p>	

Before the revision	After the revision	Description
May next year.	<del>required by SEC</del> to the competent authority before the end of May next year.	

Resolution:

**Extempore Motion**

**Adjournment**

# Appendix

## Appendix I

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

#### Business Report

#### I. 2017 Business Report:

##### (I) Implementation results of the business plan:

The consolidated revenue of the CCSB in 2017 was 1,168,248 in the thousand of New Taiwan Dollars. Compared to the previous year, although there was a slight decrease of 2.54%, the overall gross profit remains at 35%. Although the sales of MCB decreased due to the factory shutdown of one of our customers in the USA, it does not substantially affect the Company's profit as its contribution of gross margin is low. However, the revenue of the high-gross-profit-rate product, EVE has grown compared to the previous year, it has significantly contributed to the our revenue and gross profit. Overall, revenue growth in 2017 mainly came from immunosuppressive agents MMF, EVE, FK506, anti-fungal Caspofungin and PVTS, an active pharmaceutical ingredient for hypelipidemic drugs.

CCSB passed official cGMP inspection by the US FDA, Japan's PMDA and Taiwan FDA, which were conducted in March, July and October, respectively. We maintain the good cGMP inspection record.

##### (II) Budget execution status:

##### 1. The status on Consolidated budget execution:

Unit: In thousand of NTD; %

Item	Budget	Actual	Achievement rate
Revenues	1,301,066	1,168,248	89.79
Cost of revenue	894,039	760,382	85.05
Gross profit	407,027	407,866	100.21
Operating expenses	374,772	329,731	87.98
Operating Income	32,255	78,135	242.24
Income before tax	32,349	109,537	338.61

2. The status on Parent Company Only budget execution:

Unit: :In Thousand of NTD; %

Item	Budget	Actual	Achievement rate
Revenues	1,275,677	1,141,506	89.48
Cost of revenue	885,439	758,137	85.62
Plus: unrealized profit of affiliates	—	807	-
Gross profit	390,238	384,176	98.45
Operating expenses	351,170	314,957	89.69
Operating Income	39,068	69,219	177.18
Income before tax	39,162	98,121	250.55

(III)Financials and profitability analysis:

1. Consolidated financials:

Unit: In Thousand of NTD

Item	Amount
Revenues	1,168,248
Gross profit	407,866
Operating income	78,135
Interest income	227
Interest expenses	8,351
Capitalized interest expense	-
Income before tax	109,537
Net Income	85,891
Earnings per share	NT\$ 1.11

2. Parent Company Only's financials:

Unit: In Thousand of NTD

Item	Amount
Revenues	1,141,506
Gross profit	384,176
Operating income	69,219
Interest income	222
Interest expenses	8,351
Capitalized interest expense	-
Income before tax	98,121
Net Income	85,766
Earnings per share	NT\$ 1.11

### 3. Consolidated profitability analysis:

Unit: %

Item	Ratio
Return on Asset	3.00
Return on equity	4.78
Ratio of pre-tax net income to paid-in capital	14.12
Net profit margin	7.35
Earnings per share	NT\$ 1.11
Retrospective adjusted earnings per share	NT\$ 1.11

### 4. Parent Company Only's profitability analysis:

Unit: %

Item	Ratio
Return on Asset	3.01
Return on equity	4.77
Ratio of pre-tax net income to paid-in capital	12.65
Net profit margin	7.51
Earnings per share	NT\$ 1.11
Retrospective adjusted earnings per share	NT\$ 1.11

#### (IV) R&D progress:

##### 1. Synthesis Research Institute:

- (1) Completing new process development and validation for Caspofungin, an active pharmaceutical ingredient for antifungal drug, to reduce cost and increase product competitiveness;
- (2) Developing process of Sacubitril Sodium, an active pharmaceutical ingredient for heart failure new drug;
- (3) Developing process of Ixazomib Citrate, an active pharmaceutical ingredient for multiple myeloma new drug;
- (4) Completing new process of Mycophenolate Mofetil, an active pharmaceutical ingredient for immunosuppressive drug, to significantly reduce cost and increase product competitiveness.

##### 2. Biotech Research Institute:

- (1) Completing scale-up for Teduglutide, a peptide drug substance, and achieving a purity of higher than 97%. The process has obtained a patent in Taiwan;
- (2) Completing scale-up for Edoxaban, an active pharmaceutical ingredient for oral anticoagulant with a purity of higher than 99.5%. The process has obtained patent approval in Taiwan and the U.S.;
- (3) Completing scale-up for Tacrolimus, an active pharmaceutical ingredient for immunosuppressive drug, to significantly reduce cost.



II. The development strategies in the future:

- (I) Continuing to invest in R&D and strengthening our core capabilities of chemical synthesis, microbial fermentation and semi-synthesis, to differentiate CCSB from competitors in the Paragraph IV market. Meanwhile, to secure market share for niche products like Everolimus, Mycophenolate Mofetil, Rapamycin, Tacrolimus, Pravastatin. Meanwhile, continuously optimizing process, increasing productivity and reducing cost to enhance global market share in off-patent generic drug market;
- (II) Developing unique techniques and active pharmaceutical ingredient for specialty drugs, such as anti-cancer or high-potency products with higher gross profit, to support new client development and differentiation;
- (III) Developing CDMO to explore potential business opportunities of participating new drug development of big pharma in domestic and outside Taiwan;
- (IV) Ensuring CCSB to conform to all regulatory compliance and latest cGMP requirements. Meanwhile, strengthening site inspection of raw material suppliers to ensure they conform regulatory compliance and sufficient supply;
- (V) Developing solvent-recycling technologies to meet increasingly strict environmental protection requirements, continuously introducing various management systems and mechanisms to decrease waste and discharge and reduce cost, and meanwhile fulfilling social obligation of being eco-friendly.

## Appendix II

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

### Audit Committees' Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Report (including Parent Company Only and Consolidated Financial Statements) and proposal of earnings distribution. The Financial Reports (including Parent Company Only and Consolidated Financial Statements) have been audited by Shufen Yu and Shuqiong Zhang, certified public accountants of PwC Taiwan. They have also given an audit report. The audit committee has also reviewed all of the reports and statements mentioned above and determined them to be correct and accurate. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Chairman of the Audit committee, Kuo-Chiang Wang

March 12, 2018

## Appendix III

### Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17002930

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.

#### **Audit opinion**

We have audited the accompanying proprietary consolidated balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries (hereinafter referred to as Chunghwa Group) as of December 31, 2017 and 2016 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Group as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

#### **Basis of an audit opinion**

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of "independent auditor's responsibility for consolidated financial statements." The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Group in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

#### **Key Audit Matters**

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2017 consolidated financial statements of Chunghwa Group. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items from the 2017 consolidated financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. are presented below:

## **Accounting assessment of inventory valuation**

### Description of the matter

See Note 4 (13) in the consolidated financial report regarding 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. Since drug tests are now stricter and it takes a longer time to obtain drug certificates, 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 expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

### The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assessing the policy on allowance to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the business.
2. Performing sampling tests to examine if the market price of net realized value is consistent with the Company's policy, and randomly examining the accuracy of the selling price of individual inventory parts and the way net realized value is calculated.

## **Checking whether the time point of sales income recognition is appropriate**

### Description of the matter

See Note 4 (27) in the consolidated financial report for the accounting policy on income recognition. As stated in the accounting policy, income is recognized only after the goods have been handed over to the buyer, 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 for Chunghwa Chemical Synthesis & Biotech Co., Ltd. the 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 may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

### The responsive auditing process

The corresponding auditing procedures 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 recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

### **Other matters - individual financial report**

Chunghwa Group has compiled its 2017 and 2016 individual financial statements, for which we issued unqualified opinion.

### **The responsibility of the management and management units to the consolidated financial statements**

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

While preparing the consolidated financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Group, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operation, unless the management intends to liquidate Chunghwa Group or cease the business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Group are responsible for supervising the financial reporting process.

### **The responsibilities of the independent auditor to the consolidated financial statements**

The purpose of the independent auditor’s auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered significant.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the consolidated financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Group.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Group are with significant uncertainties. If the independent auditor believes that such events or circumstances are with significant uncertainties, it is necessary to remind the users of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Group to continue operating.
5. Assess the overall expression, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2017 consolidated financial statements of Chunghwa Group. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

Shufen Yu

CPA

Shuqiong Chang

Financial Supervisory Commission

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
1030027246

Former Financial Supervisory Commission

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
0990042602

March 12, 2018

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2017 and 2016

Unit: In Thousand of NTD

Assets	Notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 155,995	5	\$ 143,080	5
1150	Notes receivable, net		1,787	-	621	-
1170	Accounts receivable, net	6 (2)	220,956	6	160,584	6
1180	Account receivables-Related Parties, net	7	16,531	-	12,555	1
1200	Other receivable	6 (5) and 7	27,425	1	6,642	-
130X	Inventory	6(3)	335,604	10	401,754	15
1410	Prepayments		5,265	-	3,532	-
1460	Available-for-sale noncurrent asset	6 (8)	263,553	8	-	-
11XX	<b>Total Current Assets</b>		<u>1,027,116</u>	<u>30</u>	<u>728,768</u>	<u>27</u>
<b>Noncurrent assets</b>						
1523	Noncurrent available-for-sale financial assets	6 (4)	93,775	3	91,512	3
1543	Noncurrent financial assets carried at cost	6 (5)	30,000	1	33,115	1
1600	Property, plant, and equipment	6 (6) and 8	2,242,930	65	1,837,806	68
1760	Investment property, net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		3,185	-	214	-
1840	Deferred income tax assets	6 (21)	14,787	-	13,076	1
1900	Others	6 (13)	25,432	1	10,451	-
15XX	<b>Total noncurrent Assets</b>		<u>2,420,809</u>	<u>70</u>	<u>1,996,874</u>	<u>73</u>
1XXX	<b>Total assets</b>		<u>\$ 3,447,925</u>	<u>100</u>	<u>\$ 2,725,642</u>	<u>100</u>



Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2017 and 2016

Unit: In Thousand of NTD

Liabilities and equity	Notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Shot-term loans	6 (9)	\$ 242,376	7	\$ 210,000	8
2110	Short-term notes and bills payable	6 (10)	249,902	7	169,898	6
2150	Notes payable		345	-	345	-
2170	Accounts payable		55,201	2	70,676	3
2200	Other payable	6 (11)	111,527	3	111,645	4
2230	Current income tax liability		12,816	-	15,605	-
2320	Current portion of long-term liabilities	6 (12) and 8	130,000	4	30,000	1
2399	Others		6,141	-	3,389	-
21XX	<b>Total current liabilities</b>		<u>808,308</u>	<u>23</u>	<u>611,558</u>	<u>22</u>
<b>Noncurrent liabilities</b>						
2540	Long-term loans	6 (12) and 8	567,440	17	100,000	4
2570	Deferred income tax liabilities	6 (21)	250,380	7	242,651	9
2600	Others		576	-	266	-
25XX	<b>Total noncurrent liabilities</b>		<u>818,396</u>	<u>24</u>	<u>342,917</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>1,626,704</u>	<u>47</u>	<u>954,475</u>	<u>35</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Common stock	6 (14)	775,600	22	775,600	28
<b>Capital surplus</b>						
3200	Capital surplus	6 (15)	334,323	10	334,323	12
<b>Retained earnings</b>						
3310	Legal reserve	6 (16)	127,342	4	121,314	4
3320	Special reserve		183,296	5	183,296	7
3350	Unappropriated earnings	6 (21)	410,290	12	367,379	14
<b>Other equity</b>						
3400	Other equity		(10,023)	-	(11,039)	-
31XX	<b>Equity attributable to Shareholders of the parent Company</b>		<u>1,820,828</u>	<u>53</u>	<u>1,770,873</u>	<u>65</u>
36XX	<b>non-controlling interests</b>	4(3)	393	-	294	-
3XXX	<b>Total equity</b>		<u>1,821,221</u>	<u>53</u>	<u>1,771,167</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognized contractual commitments</b>						
<b>Major subsequent events</b>						
3X2X	<b>Total liabilities and equity</b>	6 (16) (21) and 11	<u>\$ 3,447,925</u>	<u>100</u>	<u>\$ 2,725,642</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statement.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD  
(except EPS in NTD)

Item	Additional notes	2017		2016	
		Amount	%	Amount	%
4000 <b>Net revenue</b>	7	\$ 1,168,248	100	\$ 1,198,670	100
5000 <b>Cost of revenue</b>	6 (3) (20)	( 760,382)	( 65)	( 784,208)	( 66)
5900 <b>Gross profit</b>		<u>407,866</u>	<u>35</u>	<u>414,462</u>	<u>34</u>
<b>Operating expenses</b>	6 (20)				
6100 Marketing expenses		( 84,620)	( 7)	( 86,138)	( 7)
6200 General and administrative expenses		( 95,792)	( 8)	( 83,791)	( 7)
6300 Research and development expenses		( 149,319)	( 13)	( 146,403)	( 12)
6000 <b>Total operating expenses</b>		<u>( 329,731)</u>	<u>( 28)</u>	<u>( 316,332)</u>	<u>( 26)</u>
6900 <b>Operating Income</b>		<u>78,135</u>	<u>7</u>	<u>98,130</u>	<u>8</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6 (7) (17)	13,478	1	8,584	1
7020 Other gains and losses	6 (18)	26,275	2	( 7,061)	( 1)
7050 Finance costs	6 (19)	( 8,351)	-	( 6,564)	-
7000 <b>Total non-operating income and expenses</b>		<u>31,402</u>	<u>3</u>	<u>( 5,041)</u>	<u>-</u>
7900 <b>Income before tax</b>		<u>109,537</u>	<u>10</u>	<u>93,089</u>	<u>8</u>
7950 Income tax expense	6 (21)	( 23,646)	( 2)	( 32,906)	( 3)
8200 <b>Net income</b>		<u>\$ 85,891</u>	<u>8</u>	<u>\$ 60,183</u>	<u>5</u>
<b>Other comprehensive profit or loss (net)</b>					
<b>Items not re-classified to profit or loss</b>					
8311 Re-measurement of defined benefit obligation	6 (13)	\$ 2,353	-	( \$ 914)	-
8349 Income tax related to accounts not being reclassified	6 (21)	( 400)	-	155	-
8310 <b>Total amount of items not reclassified to profit or loss</b>		<u>1,953</u>	<u>-</u>	<u>( 759)</u>	<u>-</u>
<b>Items that may be re-classified subsequently to profit or loss</b>					
8361 Exchange differences arising from translation of foreign operations		( 1,273)	-	( 231)	-
8362 Unrealized valuation gains and losses of available-for-sale financial assets	6 (4)	2,263	-	( 7,794)	( 1)
8360 <b>Total amount of items probably reclassified to profit or loss subsequently</b>		<u>990</u>	<u>-</u>	<u>( 8,025)</u>	<u>( 1)</u>
8300 <b>Other comprehensive profit or loss, net</b>		<u>\$ 2,943</u>	<u>-</u>	<u>( \$ 8,784)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 88,834</u>	<u>8</u>	<u>\$ 51,399</u>	<u>4</u>
<b>Net income attributable to:</b>					
8610 Shareholder of the parent		<u>\$ 85,766</u>	<u>8</u>	<u>\$ 60,283</u>	<u>5</u>
8620 non-controlling interests		<u>\$ 125</u>	<u>-</u>	<u>( \$ 100)</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>					
8710 Shareholder of the parent		<u>\$ 88,735</u>	<u>8</u>	<u>\$ 51,503</u>	<u>4</u>
8720 non-controlling interests		<u>\$ 99</u>	<u>-</u>	<u>( \$ 104)</u>	<u>-</u>
<b>Earnings per share</b>	6 (22)				
9750 <b>Base earnings per share</b>		<u>\$</u>	<u>1.11</u>	<u>\$</u>	<u>0.78</u>
9850 <b>Diluted earnings per share</b>		<u>\$</u>	<u>1.10</u>	<u>\$</u>	<u>0.77</u>

The accompanying notes are an integral part of the consolidated financial statement.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
 Consolidated Statement of Changes in Equity  
 January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

Notes	Attributable to owners of the parent company										non-controlling interests	Total equity
	Share Capital			Retained earnings				Other equity		Total		
	Common Stock	Capital Surplus	Others	Legal reserve	Special reserve	Unappropriated	Foreign currency Translation Reserve	Unrealized gains or losses on available-for-sale Financial asset				
<b>2016</b>												
Balance at January 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	
The 2015 appropriation and distribution of earnings:												
Legal reserve	-	-	-	30,836	-	( 30,836 )	-	-	-	-	-	
Cash dividend	-	-	-	-	-	( 116,340 )	-	-	( 116,340 )	-	( 116,340 )	
Current period net profit	-	-	-	-	-	60,283	-	-	60,283	( 100 )	60,183	
Net income in 2016	6 (4)	-	-	-	-	( 759 )	( 227 )	( 7,794 )	( 8,780 )	( 4 )	( 8,784 )	
Total other comprehensive income (loss)	4(3)	-	-	-	-	-	-	-	-	( 27,686 )	( 27,686 )	
Balance at December 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>	
<b>2017</b>												
Balance at January 1, 2017	\$ 775,600	\$ 333,746	\$ 577	\$ 121,314	\$ 183,296	\$ 367,379	\$ 874	(\$ 11,913 )	\$ 1,770,873	\$ 294	\$ 1,771,167	
The 2016 appropriation and distribution of earnings:												
Legal reserve	-	-	-	6,028	-	( 6,028 )	-	-	-	-	-	
Cash dividend	-	-	-	-	-	( 38,780 )	-	-	( 38,780 )	-	( 38,780 )	
Net income in 2017	-	-	-	-	-	85,766	-	-	85,766	125	85,891	
Total other comprehensive income (loss)	6 (4)	-	-	-	-	1,953	( 1,247 )	2,263	2,969	( 26 )	2,943	
Balance at December 31, 2017	<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 127,342</u>	<u>\$ 183,296</u>	<u>\$ 410,290</u>	<u>(\$ 373 )</u>	<u>(\$ 9,650 )</u>	<u>\$ 1,820,828</u>	<u>\$ 393</u>	<u>\$ 1,821,221</u>	

The accompanying Notes are an integral part of the consolidated financial statement.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Statement of Cash Flow  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

	<u>Additional notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash flow from operating activities</u>			
Income before tax		\$ 109,537	\$ 93,089
Adjustments			
Income, expense, and loss			
Depreciation	6 (6) (20)	132,833	113,426
Amortization	6 (20)	1,293	1,285
Interest expenses	6 (19)	8,351	6,564
Interest income	6 (17)	( 227 )	( 145 )
Dividend income	6 (17)	( 3,017 )	( 3,017 )
Gain or losses from disposal of property or equipment	6 (6) (18)	146	( 250 )
Gains or loss from disposal of financial assets carried at cost	6 (18)	( 39,830 )	-
Amount derived from property, plant and equipment re-enumeration	6 (6)	-	1,536
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable, net		( 1,166 )	433
Accounts receivable, net		( 60,372 )	65,487
Accounts receivable from related parties, net		( 3,976 )	( 10,228 )
Other receivable		921	( 1,626 )
Inventory		66,150	28,893
Prepayments		( 1,733 )	( 3,007 )
Net defined benefit assets		( 9,517 )	( 4,993 )
Net changes in liabilities relating to operating activities			
Notes payable		-	( 15 )
Accounts payable		( 15,475 )	8,338
Other payable		( 1,903 )	( 3,445 )
Other current liabilities-others		2,752	( 356 )
Net cash generated by operating activities		184,767	291,969
Interest received		207	130
Dividends received		3,017	3,017
Interest paid		( 7,797 )	( 6,541 )
Income tax paid		( 20,855 )	( 27,262 )
Net cash inflow from operating activities		159,339	261,313

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

	<u>Additional notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash flow from investing activities</u>			
Proceeds from disposal of financial assets carried at cost	6 (5) (24)	\$ 21,684	\$ -
Costs of property, plant and equipment acquired	6 (24)	( 803,183 )	( 114,562 )
Proceeds from disposal of property, plant and equipment	6 (6)	1,095	1,438
Liquidation of subsidiaries		-	( 17,208 )
Acquisition of Intangible assets		( 2,617 )	( 294 )
Increase in guarantee deposits		( 3,118 )	( 860 )
Net cash inflow from investing activities		( 786,139 )	( 131,486 )
<u>Cash flow from financing activities</u>			
Increase in short-term loans		32,376	20,000
Increase in short-term notes and bills payable		80,004	( 19,968 )
Increase in long-term loan		717,440	170,000
Repayment of long-term loans		( 150,000 )	( 220,000 )
Increase in guarantee deposit received		310	-
Cash dividend	6 (16)	( 38,780 )	( 116,340 )
Cash dividends paid-changes in non-controlling interests	4(3)	-	( 10,478 )
Net cash inflow from financing activities		641,350	( 176,786 )
Effects of exchange rate change on cash and cash equivalents		( 1,635 )	( 227 )
Net increase (decrease) in cash and cash equivalents		12,915	( 47,186 )
Beginning balance of cash and cash equivalents		143,080	190,266
Ending balance of cash and cash equivalents		\$ 155,995	\$ 143,080

The accompanying notes are an integral part of the consolidated financial statement.

## Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17002643

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.

### **Audit opinion**

We have audited the accompanying proprietary individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2017 and 2016 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### **Basis of an audit opinion**

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of the "independent auditor's responsibility for individual financial statements." The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

### **Key Audit Matters**

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2017 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items of the 2017 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

## **Accounting assessment of inventory valuation**

### Description of the matter

See Note 4 (11) in the individual financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetical uncertainty, and Note 6 (3) for an 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 large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

### The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assess the policy for allowing the Company 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. Randomly check the correctness of the selling prices of individual inventory parts and the way net realized value is calculated.

## **Checking whether the time point of sales income recognition is appropriate**

### Description of the matter

See Note 4 (26) in the individual financial report for details of the accounting policy on income recognition. As stated in the accounting policy, income is recognized only after the goods have been handed over to the buyer, 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 for Chunghwa Chemical Synthesis & Biotech Co., Ltd. the 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 may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

### The responsive auditing process

The corresponding auditing procedures are as follows:

1. The Company's 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 recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

### **The responsibility of the management and management units to the individual financial statements**

The management team is responsible for preparing 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 for necessary internal controls, ensuring that the statements do not contain any false content due to fraudulence or mistakes.

While preparing the individual financial statements, the management's responsibility also includes assessing the continuing operation of Chunghwa Chemical Synthesis & Biotech Co., Ltd. the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Chunghwa Chemical Synthesis & Biotech Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are responsible for supervising the financial reporting process.

### **The responsibilities of the independent auditor to the individual financial statements**

The purpose of the independent auditor's auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.



The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Chemical Synthesis & Biotech Co., Ltd.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are with significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2017 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

Shufen Yu

CPA

Shuqiong Chang

Financial Supervisory Commission

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
1030027246

Former Financial Supervisory Commission

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
0990042602

March 12, 2018

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent Company Only Balance Sheet  
December 31, 2017 and 2016

Unit: In Thousand of NTD

Assets	Notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 107,950	3	\$ 90,763	3
1150	Notes receivable, net		1,787	-	621	-
1170	Net accounts receivable, net	6 (2)	130,431	4	89,689	3
1180	Account receivables-Related Parties, net	7	109,159	3	119,962	5
1200	Other receivable	7	6,435	-	7,311	-
130X	Inventory	6(3)	330,435	10	394,743	15
1410	Prepayments		3,474	-	1,690	-
1460	Available-for-sale noncurrent	6 (9)	263,553	8	-	-
11XX	<b>Total Current Assets</b>		<u>953,224</u>	<u>28</u>	<u>704,779</u>	<u>26</u>
<b>Noncurrent assets</b>						
1523	Noncurrent available-for-sale financial assets	6 (4)	93,775	3	91,512	3
1543	Noncurrent financial assets carried at cost	6 (5)	30,000	1	30,000	1
1550	Investments accounted for using the equity method	6 (6)	61,542	2	24,408	1
1600	Property , plant, and equipment	6 (7) and 8	2,242,419	65	1,837,720	68
1760	Investment property ,net	6 (8)	10,700	-	10,700	-
1780	Intangible assets		3,185	-	214	-
1840	Deferred income tax assets	6 (22)	14,787	-	13,076	1
1900	Other noncurrent assets	6 (14)	25,341	1	10,353	-
15XX	<b>Total Noncurrent Assets</b>		<u>2,481,749</u>	<u>72</u>	<u>2,017,983</u>	<u>74</u>
1XXX	<b>Total assets</b>		<u>\$ 3,434,973</u>	<u>100</u>	<u>\$ 2,722,762</u>	<u>100</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent Company Only Balance Sheet  
December 31, 2017 and 2016

Unit: In Thousand of NTD

Liabilities and equity	Notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	6 (10)	\$ 242,376	7	\$ 210,000	8
2110	Short-term notes and bills payable	6 (11)	249,902	7	169,898	6
2150	Notes payable		345	-	345	-
2170	Accounts payable		55,201	2	70,676	3
2200	Other payable	6 (12)	110,159	3	109,897	4
2230	Current Income tax liability		1,625	-	15,605	-
2320	Current portion of long-term liabilities	6 (13) and 8	130,000	4	30,000	1
2399	Others		6,141	-	2,551	-
21XX	<b>Total current liabilities</b>		<u>795,749</u>	<u>23</u>	<u>608,972</u>	<u>22</u>
<b>Noncurrent liabilities</b>						
2540	Long-term borrowings	6 (13) and 8	567,440	17	100,000	4
2570	Deferred income tax liabilities	6 (22)	250,380	7	242,651	9
2600	Others		576	-	266	-
25XX	<b>Total noncurrent liabilities</b>		<u>818,396</u>	<u>24</u>	<u>342,917</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>1,614,145</u>	<u>47</u>	<u>951,889</u>	<u>35</u>
<b>Equity attributable to shareholder of the parent</b>						
<b>Share capital</b>						
3110	Common stock	6 (15)	775,600	22	775,600	29
<b>Capital surplus</b>						
3200	Capital surplus	6 (16)	334,323	10	334,323	12
<b>Retained earnings</b>						
3310	Legal reserve	6 (17)	127,342	4	121,314	4
3320	Special reserve		183,296	5	183,296	7
3350	Unappropriated earnings	6 (22)	410,290	12	367,379	13
<b>Other equity</b>						
3400	Other equity		(10,023)	-	(11,039)	-
3XXX	<b>Total equity</b>		<u>1,820,828</u>	<u>53</u>	<u>1,770,873</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognized contractual commitments</b>						
<b>Major subsequent events</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,434,973</u>	<u>100</u>	<u>\$ 2,722,762</u>	<u>100</u>

The accompanying notes are an integral part of the Parent Company Only financial statement.

**Chunghwa Chemical Synthesis & Biotech Co., Ltd.**  
**Parent Company Only Statements of Comprehensive Income**  
**January 1 to December 31, 2017 and 2016**

Unit: In Thousand of NTD  
(except EPS in NTD)

Item	Additional notes	2017		2016	
		Amount	%	Amount	%
4000 <b>Net revenue</b>	7	\$ 1,141,506	100	\$ 1,159,773	100
5000 <b>Cost of revenue</b>	6(3)	( 758,137)	( 66)	( 768,667)	( 66)
5900 <b>Gross profit</b>		383,369	34	391,106	34
5910 Unrealized loss (gain) from sales		864	-	57	-
5920 Realized gain (loss) from sales		( 57)	-	162	-
5950 <b>Net gross profit</b>		384,176	34	391,325	34
<b>Operating expenses</b>					
6100 Marketing expenses		( 70,264)	( 6)	( 65,800)	( 6)
6200 General and administrative and expenses		( 95,374)	( 9)	( 83,192)	( 7)
6300 Research and development expenses		( 149,319)	( 13)	( 146,403)	( 13)
6000 <b>Total operating expenses</b>		( 314,957)	( 28)	( 295,395)	( 26)
6900 <b>Operating profit</b>		69,219	6	95,930	8
<b>Non-operating income and expenses</b>					
7010 Other income	6 (18)	12,220	1	7,740	1
7020 Other gains and losses	6 (19)	( 12,540)	( 1)	( 5,616)	-
7050 Financial costs	6 (20)	( 8,351)	( 1)	( 6,564)	( 1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		37,573	4	1,033	-
7000 <b>Total non-operating income and expenses</b>		28,902	3	( 3,407)	-
7900 <b>Income before tax</b>		98,121	9	92,523	8
7950 Income tax expense	6 (22)	( 12,355)	( 1)	( 32,240)	( 3)
8200 <b>Net income</b>		\$ 85,766	8	\$ 60,283	5
<b>Other comprehensive profit or loss (net)</b>					
<b>Items not re-classified to profit or loss</b>					
8311 Re-measurement of defined benefit obligation	6 (14)	\$ 2,353	-	( \$ 914)	-
8349 Income tax related to accounts not being reclassified	6 (22)	( 400)	-	155	-
8310 <b>Total amount of items not reclassified to profit or loss</b>		1,953	-	( 759)	-
<b>Items that may be re-classified subsequently to profit or loss</b>					
8361 Exchange differences arising from translation of foreign operations		( 1,247)	-	( 227)	-
8362 Unrealized valuation gains and losses of available-for-sale financial assets	6 (4)	2,263	-	( 7,794)	( 1)
8360 <b>Total amount of items probably reclassified to profit or loss subsequently</b>		1,016	-	( 8,021)	( 1)
8300 <b>Other comprehensive profit or loss, net</b>		\$ 2,969	-	( \$ 8,780)	( 1)
8500 <b>Total comprehensive income for the year</b>		\$ 88,735	8	\$ 51,503	4
<b>Earnings per share</b>	6 (23)				
9750 <b>Base earnings per share</b>		\$ 1.11		\$ 0.78	
9850 <b>Diluted earnings per share</b>		\$ 1.10		\$ 0.77	

The accompanying notes are an integral part of the Parent Company Only financial statement.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent Company Only Statement of Changes in Equity  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

	Notes	Share Capital			Retained earnings			Other equity		Total equity
		Common Stock	Capital Surplus	Others	Legal reserve	Special reserve	Unappropriated	Foreign currency Translation Reserve	Unrealized gains or losses on available-for-sale financial asset	
<u>2016</u>										
Balance at January 1, 2016		\$ 775,600	\$ 333,746	\$ 577	\$ 90,478	\$ 183,296	\$ 455,031	\$ 1,101	(\$ 4,119 )	\$ 1,835,710
The 2015 appropriation and distribution of earnings: (Note)	6 (17)									
Legal earnings reserve		-	-	-	30,836	-	( 30,836 )	-	-	-
Cash dividend		-	-	-	-	-	( 116,340 )	-	-	( 116,340 )
Net income in 2016		-	-	-	-	-	60,283	-	-	60,283
Total other comprehensive income (loss)	6 (4)	-	-	-	-	-	( 759 )	( 227 )	( 7,794 )	( 8,780 )
Balance at December 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>2017</u>										
Balance at January 1, 2017		\$ 775,600	\$ 333,746	\$ 577	\$ 121,314	\$ 183,296	\$ 367,379	\$ 874	(\$ 11,913 )	\$ 1,770,873
The 2016 appropriation and distribution of earnings: (Note)	6 (17)									
Legal reserve		-	-	-	6,028	-	( 6,028 )	-	-	-
Cash dividend		-	-	-	-	-	( 38,780 )	-	-	( 38,780 )
Net income in 2017		-	-	-	-	-	85,766	-	-	85,766
Total other comprehensive income (loss)	6 (4)	-	-	-	-	-	1,953	( 1,247 )	2,263	2,969
Balance at December 31, 2017		<u>\$ 775,600</u>	<u>\$ 333,746</u>	<u>\$ 577</u>	<u>\$ 127,342</u>	<u>\$ 183,296</u>	<u>\$ 410,290</u>	<u>(\$ 373 )</u>	<u>(\$ 9,650 )</u>	<u>\$ 1,820,828</u>

Note The Board of Directors resolved in 2016 to pay NTD10,396 for each employee and NTD1,040 for each director (or supervisor) as compensation. The compensation for each employee and for each director (or supervisor) in 2015 was NTD13,069 and NTD1,310, respectively. These amounts were deducted from the individual comprehensive income statements.

The accompanying notes are an integral part of the Parent Company Only financial statement.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent Company Only Statement of Cash Flows  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash flow from operating activities</u>			
Income before tax		\$ 98,121	\$ 92,523
Adjustments			
Income, expense, and loss			
Depreciation	6 (7) (21)	132,691	113,401
Amortization	6 (21)	1,293	1,285
Interest expenses	6 (20)	8,351	6,564
Interest income	6 (18)	( 222 )	( 93 )
Dividend income	6 (18)	( 3,017 )	( 3,017 )
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method		( 37,573 )	( 1,033 )
Loss (gains) from disposal of property or equipment	6 (7) (19)	146	( 250 )
Amount derived from property, plant and equipment re-enumeration	6 (7)	-	1,536
Unrealized loss (gain) from sales		( 864 )	( 56 )
Realized gain (loss) from sales		56	( 162 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable, net		( 1,166 )	433
Net accounts receivable, net		( 40,742 )	( 5,132 )
Account receivables from Related Parties, net		10,803	55,483
Other receivable		669	( 640 )
Other receivables - related parties		227	4,136
Inventory		64,308	14,454
Prepayments		( 1,784 )	( 1,268 )
Net defined benefit assets		( 9,517 )	( 4,993 )
Net changes in liabilities relating to operating activities			
Notes payable		-	( 15 )
Accounts payable		( 15,475 )	8,338
Other payable		( 1,523 )	( 3,346 )
Other current liabilities- other		3,590	( 1,145 )
Net cash generated by operating activities		<u>208,372</u>	<u>277,003</u>
Interest received		202	78
Dividends received		3,017	6,789
Interest paid		( 7,797 )	( 6,541 )
Income tax paid		( 20,717 )	( 26,596 )
Net cash inflow from operating activities		<u>183,077</u>	<u>250,733</u>

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Parent Company Only Statement of Cash Flows  
January 1 to December 31, 2017 and 2016

Unit: In Thousand of NTD

	Notes	2017	2016
<u>Cash flow from investing activities</u>			
Returned capital on liquidation of subsidiaries, associates and joint ventures accounted for using the equity method		\$ -	\$ 6,193
Costs of property, plant and equipment acquired	6 (25)	( 802,600 )	( 114,523 )
Proceeds from disposal of property, plant and equipment	6 (7)	1,095	1,438
Acquisition of Intangible assets		( 2,617 )	( 294 )
Increase in guarantee deposits paid		( 3,118 )	( 860 )
Net cash inflow from investing activities		( 807,240 )	( 108,046 )
<u>Cash flow from financing activities</u>			
Increase in short-term loans		32,376	20,000
Increase in short-term notes and bills payable		80,004	( 19,968 )
Increase in long-term loan		717,440	170,000
Repayment of long-term loans		( 150,000 )	( 220,000 )
Increase in guarantee deposit received		310	-
Cash dividend distribution	6 (17)	( 38,780 )	( 116,340 )
Net cash inflow from financing activities		641,350	( 166,308 )
Net increase (decrease) in cash and cash equivalents		17,187	( 23,621 )
Beginning balance of cash and cash equivalents		90,763	114,384
Ending balance of cash and cash equivalents		<u>\$ 107,950</u>	<u>\$ 90,763</u>

The accompanying notes are an integral part of the Parent Company Only financial statement



## Appendix IV

### Chunghwa Chemical Synthesis & Biotech Co., Ltd. Proposal of Earning Distribution

Unit: In NTD

Item	Amount
Beginning unappropriated earnings	322,570,805
Plus: Retained earnings adjusted in 2017	1,953,303
Unappropriated Adjusted earnings	324,524,108
Plus: Net income of 2017	85,765,782
Less: Statutory reserve	(8,576,578)
Earnings in 2017 available for distribution	401,713,312
Less: Cash dividend to shareholders(Note 1)	(38,780,000)
Ending Unappropriated Retained Earnings	362,933,312
Note 1: Cash dividends will be distributed based on the percentage of shares held by shareholders on the record date. The amount of distribution will be calculated to the dollar. Amount less than NT\$1 will be adjusted based on decimal points and shareholder account numbers from big to small and from front to rear until the total number matched with the cash dividends distributed.	

## Appendix V

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

### Chapter I General Principles

- Article 1: The Company is named Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Company Act.
- Article 2: The business activities of the Company are as follows:
1. C802041 Manufacturing of Drugs and Medicines
  2. F108021 Wholesaler of Drugs and Medicines
  3. ZZ99999 Business activities not prohibited or restricted by law, except for those requiring special approval.
- Article 3: When the Company becomes a shareholder with limited responsibility of another company, the total amount to be invested may not be subject to the restriction of Article 13 of the Company Act, which states that such an amount may not exceed 40% of the paid-in capital.
- Article 4: The Company is located in New Taipei City. If necessary, it may establish branches and plants in different regions domestically or overseas. Establishment and revocation of such facilities is decided by the Board of Directors.
- Article 5: Public announcements of the Company shall be duly made in accordance with Article 28 of The Company Act.

### Chapter II Share capital

- Article 6: The capital of this Company is NTD1.6 billion, and divided into 160 million shares of NTD10 per share. NTD120 million is divided into 12 million shares for the issuance of employee stock options. The Board of Directors is authorized to issue the unissued shares (including those for issuance of employee stock options) in batches depending on company operational needs.
- Article 7: All the shares of the Company are inscribed shares that require the signatures or personal seals of at least three directors before they are certified by the competent authority or an issuance of registration institution by the competent authority. Shares may also be issued without printed stocks or printed according to the total shares issued each time, and placed in the custody of centralized securities depository institutions.
- Article 8: The Company will offer shareholder services in accordance with related laws and regulations mandated by the securities authority.
- Article 9: Within 60 days prior to each shareholders' annual meeting, 30 days before each ad hoc shareholder meeting, or 5 days before the Company decides the base date for dividend and bonus distribution or other profit, share transfer registration will be suspended.

### Chapter III general shareholders meetings

- Article 10: The shareholder meetings of the Company are of two types, one is the shareholders' annual meeting, and the other is the ad-hoc shareholder meeting.
- A. The annual shareholder meeting is convened by the Board of Directors within six months after the fiscal year ends.
  - B. The ad-hoc meeting may be convened according to laws when necessary.

- Article 11: Shareholders shall be notified within 30 days before the shareholders' annual meeting and 15 days before the ad-hoc shareholder meeting.
- Article 12: Except otherwise regulated by The Company Act, a general shareholders meeting resolution is passed when more than half of all outstanding shares are represented in the meeting, and is approved by more than half of all voting rights represented during the meeting.
- Shareholders have one vote for each share, but shareholders specified under Article 179 of the Company Act do not.
- Article 13: The Company shall seek shareholders' approval if it intends to revoke a public issue which may not be altered during the emerging period and after the Company goes public.
- Article 14: A shareholder who is unable to attend the general shareholders meeting may delegate an agent to attend, but need to provide a power of attorney printed by the Company specifying the nature of authority and carrying the signature or personal seal of the shareholder within five days before the meeting. One shareholder may issue one power of attorney and delegate one agent only. Except for the trust enterprise or the securities brokerages approved by the securities competent authorities, the balloting rights of the representative who is commissioned by two or more shareholders shall not exceed 3% of the balloting rights representing the total outstanding shares and the portion in excess does not count. When the power of attorney is repeated, the first one delivered shall prevail unless it was revoked.
- During the general shareholders meeting, voting may be conducted in writing or with electronic measures depending on the regulations set forth in the Company Act and mandated by the competent authority.
- Article 15: General shareholders meetings that are convened by the Board of Directors shall be chaired by the Chairmen. If the Chairman is unable to perform his/her duties due to leave of absence or any reasons, the Chairman may appoint one of the directors to act on behalf. If no one is appointed, the remaining directors will appoint one among themselves to perform the Chairman's duties on behalf. Article 15: When the general shareholders meeting is convened by a convener outside the Board of Directors, the chairperson shall be the convener. If there are more than two conveners, one of them shall be the representative.
- Article 16: The resolutions reached in the general shareholders meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of general shareholders meeting can be processed electronically.
- The minute of the meeting as described above may be distributed through public announcement.
- Chapter IV. The Board of Directors and Functional Committees
- Article 17: The Company's Board of Directors have seven to nine members. A candidate nomination system has been adopted for director election since the 20th Board of Directors. The shareholders can elect the directors from the candidate list. A director shall serve a term of three years and may continue if re-elected. When the term of directors expires and the re-election cannot be conducted in time, the term is extended until the re-election is conducted. The total inscribed shares held by the directors may not be less than the percentage required by the securities authority.

The above-mentioned number of directors shall include at least three independent directors and may not be less than one fifth of the total director seats. The profession requirements, restrictions on shareholding and part-time work of independent directors, the definition of independence, nomination, and other requirements to follow are determined in accordance with related laws and regulations.

- Article 18: An audit committee composed of all the independent directors has been formed since the 20th Board of Directors. The number of members of the audit committee may not be less than three. One of them shall be the convener and at least one of them shall be a professional in accounting or finance.
- Article 19: The Company shall create a remuneration committee as well as other functional committees. The guidelines for each committee are formulated by the Board of Directors.
- Article 20: The Board of Directors is authorized to determine the remuneration for the chairperson, independent directors and directors according to the extent of their participation, contribution to the operation of the Company, and the standards normally adopted by the industry.
- Article 21: The Company may authorize the Board of Directors to purchase insurance for the directors' compensation liabilities in discharge of their duties.
- Article 22: The responsibilities of the Board of Directors are as below:
1. Convening general shareholders meetings to make resolutions on related matters;
  2. Reviewing business guidelines, research design, production plans and work in progress;
  3. Reviewing and ratifying important revisions and curtailment of regulations;
  4. Reviewing and ratifying budgets and final accounts, business reports and surplus allocation proposals;
  5. Reviewing and ratifying revisions and annulling important contracts;
  6. Approving the establishment, personnel increase and decrease, and changes of branch operations;
  7. Deciding on important personnel appointments, dismissals and transfers, and approving personnel retirement and pension guidelines;
  8. Approving proposals on capital increase or decrease and investment and cooperative projects;
  9. Deciding on matters suggested by the chairperson;
  10. Reviewing matters proposed by the president;
  11. Other responsibilities conferred by law or shareholders.
- Article 23: The chairperson shall be elected from the directors at the meeting of the Board of Directors attended by at least two thirds of the directors and with the approval of the majority of the attending directors. The chairperson represents the Company to be in charge of all business operations.
- Article 24: The chairperson shall be the chair and convener of the Board of Directors and represent the Company in external matters. When on leave or unable to execute the duties, the chairperson shall designate a director as a representative. If the chairperson fails to designate anyone, the directors shall elect one director among

them to be the representative.

A director who is unable to attend the meeting of the Board of Directors may issue a power of attorney indicating the nature of authority to another director as a representative. The representative may accept the delegation of one director only.

Article 25: A notice of the meeting of the Board of Directors shall set out the reasons for convening and be issued to all directors within seven days prior to the meeting, except in cases of emergency. The meeting notices may be issued in writing or through email or fax.

Article 26: Unless otherwise stated in the Company Act, resolutions made by the Board of Directors require the attendance of the majority of the directors and approval by the majority of the attending directors.

#### Chapter V. Employees

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

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

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

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

#### Chapter VI. Surplus Distribution

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

1. Business Report
2. Financial statements.
3. Earnings distribution or deficit compensation proposal;

Article 32: If there is profit at the end of a fiscal year, the Company shall allocate 1% to 15% of the profit as employee remuneration and no more than 3% as directors' remuneration. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

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

Article 32-1: The industrial environment of the Company is changing and its corporate life cycle is in a stage of steady growth. Considering the Company's need for capital in the future, long-term financial planning, and cash inflow for shareholders, the Company shall distribute the earnings surplus (if any) every year in the following order:

1. Pay the taxes according to law.
2. Offset losses of previous years.

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

#### Chapter VII. Supplementary Provisions

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

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

## Appendix VI

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd.** **Rules of Procedure for General Shareholders Meetings**

- Article 1: For the purpose of establishing the Company's shareholder's meeting governance system, developing monitoring functions, and enhancing the management mechanism, the Rules are stipulated in accordance with Article 5 of the Company's "Corporate Governance Best-Practice Principles" for compliance.
- Article 2: The Company's "General shareholders meeting Rules' Meetings," unless otherwise provided by the law and regulations or Articles of Incorporation, should be processed in accordance with the Rules.
- Article 3: The Company's general shareholders meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors.

The Company shall enter the general shareholders meeting notice, the form of power of attorney, matters to be ratified and discussed, director appointments or dismissals, and related descriptions into the electronic files, and upload them to the Market Observation Post System 30 days before the annual general shareholders meeting or 15 days before the ad hoc shareholder meeting. Also, the Annual Meeting Handbook and the supplementary information are compiled into electronic files and uploaded to the MOPS twenty days prior to the Annual Meeting of Shareholders or fifteen days prior to the extraordinary meeting of shareholders. Physical copies of the shareholder meeting manual and supplementary information also need to be prepared at least 15 days before the meeting, and made accessible to shareholders upon request. These documents shall be placed within the Company's premises and at the share administration agency, and distributed on-site during the shareholder meeting.

The notice and announcement of convening the board meeting can be made electronically with the consent of the counterparty.

Director appointment or dismissal, Articles of Incorporation amendment, company dissolution, merger, spins-off, or the matters stated in Article 185 Sections 1 of the Company Law and Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" should be cited in the reason for convening the meeting instead of in the motion.

Shareholders with over 1% shareholding of the shares issued may have proposals presented in writing to the Company's General shareholders meeting. However, it is limited to one proposal and the more than one proposals presented will not be discussed in the meeting. The board of directors may not have the proposals presented by shareholders that fall in the scope of Article 172-1 Section 4 of the Company Law included for discussion.

The Company shall announce the proposals admitted, the premises and the admission period before the stock stop-transfer date prior to the Annual Meeting of Shareholders is convened; also, the admitting period may not be less than 10 days.

The shareholder's proposal is limited to 300 words' otherwise it will not be included for discussion. The proposing shareholders must attend the general shareholders meeting in person or by proxy to participate in the proposal discussion.

The Company shall have the processing result presented in the general shareholders meeting before the meeting convening date and have the proposals in compliance

with this clause included in the notice of meeting. The board of directors is to give the reason why the shareholder's proposal is not included for discussion in general shareholders meeting.

Article 4: Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the general shareholders meeting.

It is limited to one proxy per shareholder and one proxy only that should be served to the Company five days prior to the meeting of shareholders. When the proxy is issued in duplicate, whichever is served first shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.

If the shareholders wish to exercise the balloting right by attending the meeting in person or voting in writing or by electronic means after the proxy is received by the Company, the shareholders shall have the Company informed in writing two days prior to the general shareholders meeting date to revoke the proxy. The balloting right exercised by the representative shall prevail if the proxy is not revoked before the deadline.

Article 5: The general shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence anytime earlier than 9AM or later than 3PM. Independent Directors' opinions must be fully taken into consideration when deciding the time and venue of the meeting.

Article 6: The Company shall have the admission time, admission place, and other related matters set forth in the notice of meeting.

The general shareholders meeting admission time referred to above should be at least thirty minutes before the meeting in session; it should be clearly indicated at the admission place and with the adequate and qualified personnel to handle it.

The shareholders or their representatives (hereinafter referred to as the "shareholders") shall attend the general shareholders meeting with the evidence of the attendance card, attendance register, or other attendance documents. The Company may not demand the attending shareholders to present any additional identification documents; the proxy solicitors should bring proof of identity with them for examination.

The Company should have the attendance registry ready for the signature of the attending shareholders or the shareholder's representative (hereinafter referred to as the Shareholders), or the attending shareholders may have the signature card submitted as an alternative to the signature.

The Company shall have the Agenda Handbook, annual reports, attendance card, statement slip, ballots, and other meeting materials delivered to the shareholders presented; also, the ballot will be distributed to the directors for the election of directors, if any.

The number of representative attending the general shareholders meeting on behalf of the institutional shareholders, both the government and legal person, is not limited to one person. The number of legal person entrusted to attend the general shareholders meeting is limited to one person.

Article 7: If the general shareholders meeting is convened by the board of directors, the chairman of the board is to preside the meeting. If the chairman who is on leave of absence or is unable to perform duty is represented by the Vice Chairman. If there is no Vice Chairman or the Vice Chairman is also on leave of absence or is unable to perform duty, the Chairman is to appoint one general director to perform duty. If



there is no general director, the Chairman is to appoint one director to perform duty. If the Chairman does not have a representative appointed to perform duty, one of the general directors or directors is elected to perform duty.

The director who is the representative of the chairman to preside the meeting referred to above must have already served the term for more than six months and understand the Company's finance and business conditions. The rule referred to above does apply if the chairman is a representative of the legal director.

The Chairman shall personally preside the General shareholders meeting that is convened by the Board of Directors; also, a majority of the Board of Directors and at least one member of each functional committee should attend the meeting with the attendance recorded in the minutes of meeting.

If the general shareholders meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to the general shareholders meeting.

Article 8: The Company shall have the admission of the shareholders, the meeting in session, and the voting and vote counting process recorded and filmed uninterruptedly.

The audio and video data referred to above should be reserved for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 9: The attendance of the general shareholders meeting is counted by the shareholding. The number of shares represented during the meeting is calculated based on the amount registered in the attendance log or the attendance cards collected, plus the amount of shares whose voting rights are exercised through proxy forms or electronic methods.

The chairman should announce the commencement of the meeting as soon as it is due. However, if the attendees represented less than half of all outstanding shares, the meeting chairman may announce to postpone the meeting up to two times, for a period totaling no more than one hour. The Chairman may announce the meeting is adjourned if there remain insufficient shareholders who represent two thirds of shareholding to attend the meeting after two meetings postponed.

If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Article 175 Paragraph 1 of the Company Law; also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

If the shareholdings of the attending shareholders are more than one half of the total number of shares issued before the end of the meeting, the Chairman may have the pseudo-resolution presented again in the next meeting of the shareholders for resolution in accordance with Article 174 of the Company Law.

Article 10: If the general shareholders meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the general shareholders meeting.

The provision referred to above is applicable even when the general shareholders meeting is convened other than by the board of directors.

The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above. If the Chairman has announced the meeting adjourned in violation of the procedures, the other board directors shall promptly assist the shareholders presented with a majority of balloting rights to elect a chairman to continue the meeting in accordance with the legal procedures.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

Article 11: Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial). The order of shareholders' comments will be determined by the meeting chairman.

Shareholders who submit Speak Request Forms without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the Speak Request Form, the actual comments shall prevail.

Each shareholder may not speak on the same proposal more than twice and not more than 5 minutes each time unless otherwise permitted by the Chairman. However, the Chairman may stop the shareholder from speaking if the speech is in violation of regulations or outside the scope of the proposal.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way without the consent of the meeting chairman and the person speaking. The meeting chairman shall restrain any violators.

For corporate shareholders who have appointed two or more representatives to attend the general shareholders meeting, only one representative may speak per agenda.

The Chairman may have the speech of the shareholder responded in person or by the designated personnel.

Article 12: The balloting of the general shareholders meeting is counted by the shareholding.

For the resolutions of the general shareholders meeting reached, the shareholding of the shareholders without balloting right is excluded from the count of the outstanding shares. Shareholders cannot vote, or appoint proxies to vote, on any agendas that present conflicting interests, if doing so may compromise The Company's interests.

The shareholding of the shareholders without balloting right referred to above is not included in the balloting rights of the shareholders presented. Except for the trust enterprise or the securities brokerages approved by the securities competent authorities, the balloting rights of the representative who is commissioned by two or more shareholders shall not exceed 3% of the balloting rights representing the total outstanding shares and the portion in excess does not count.

Article 13: Shareholders are entitled to one balloting right per share except for those restricted without any voting right granted or those without any voting according to Article 179 Paragraph 2 of the Company Act.

Voting rights can be exercised in writing or through the electronic method. Instructions for exercising voting rights in writing or through the electronic form must be clearly stated on the general shareholders meeting advice. Shareholders who have voted in writing or using the electronic method are considered to have attended

the general shareholders meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.

The uses of written and electronic votes mentioned above must be delivered to The Company at least 2 days before the general shareholders meeting. If there are duplicate submissions, the earlier submission shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.

If, after submitting a written or electronic vote, the shareholder wishes to attend the general shareholders meeting in person, then a proper declaration of withdrawal must be issued using the same method as the original vote at least 2 days before the general shareholders meeting. If the withdrawal is not received in time, then the written or electronic vote shall prevail. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the general shareholders meeting, then the voting decision exercised by the proxy shall prevail.

Unless otherwise provided in the Company Law and the Company's Articles of Incorporation, the proposal is passed in the meeting by the shareholders represented a majority of the balloting rights.

The Chairman or the designated personnel are to announce the total number of balloting rights of the shareholders presented at the time of balloting, and the ballots will be casted on a case-by-case basis. The result of the votes of approval, objection, or waiver casted by shareholders will be posted on the MOPS (Market Observation Post System) at the end of the shareholders' meeting.

For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

The meeting chairman will appoint a ballot examiner and a ballot counter for each agenda. However, the ballot examiner must be a Director.

The vote counting process of the shareholder's balloting or election should be held openly at the meeting venue. The balloting result should be announced immediately at the meeting, including statistical weights, and it should be documented for record.

Article 14: The election of directors in the shareholders' meeting must be processed in accordance with the Company's election procedures and the election result must be announced immediately, including the list of the elected directors and the election weights.

The ballots of the election referred to above should be sealed, signed, and reserved by the controller of ballot for safekeeping for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 15: The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.

The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes must detail the date and venue of the meeting, the meeting chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained indefinitely.

Article 16: The Company must have the statistics of the number of shares by soliciting and by proxy prepared in the prescribed format and has it disclosed openly at the meeting venue on the meeting date.

If the resolutions reached in the shareholders' meetings involving material information regulated by law and regulations and the Taiwan Stock Exchange Corporation (ROC GTSM), the Company shall within the prescribed time have the material information uploaded to the MOPS.

Article 17: The service personnel for the shareholders' meeting shall wear identification badges or armbands.

The meeting chairman may instruct picketers or security staffs to help maintain order in the meeting. While maintaining order in the meeting, all picketers or security staffs must wear arm badges which identify their roles as "Staff".

If the meeting venue is equipped with speakerphones, the Chairman may stop the shareholders who do not use the device provided by the Company from speaking.

The Chairman may command the marshals or security guards to escort the shareholders to leave the meeting venue if they are in violation of the rules of procedure, disobey the Chairman, and interfere with the meeting proceeding.

Article 18: The Chairman at his/her discretion may announce the meeting in recess; also, may announce to have the meeting suspended due to force majeure and announce the time for the meeting to resume. If the venue of shareholders' meeting is not available before the end of the procedures (including motions), the shareholders' meeting may have resolved to find another venue to continue the meeting.

The meeting of shareholders may, in accordance with Article 182 of the Company Law, resolve to have the meeting postponed or resumed in five days.

Article 19: These rules shall become effective once resolved during the general shareholders meeting; the same applies to all subsequent revisions.

## Appendix VII

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

#### Procedures for Financial Derivatives Transactions (before revision)

##### Article 1: Purpose

In order to protect investors, fulfill information disclosure, establish a risk management system for derivatives product transactions, and comply with the regulatory requirements in the trading procedures for derivatives products, the Company mandated the “Procedures for Financial Derivatives Transactions” in accordance with Article 36 (1) of the Securities Act and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”

##### Article 2: Applicable Scope

1. Derivative products are here defined as financial instruments that derive their value from the performance of underlying assets, interest rates, currency exchange rates, indexes or other targets, which include forwards, options, futures, leverage contracts, swaps, and their combined contracts.
2. The forwards referred above do not contain insurance, performance, post-sale service, long-term lease and long-term sales/procurement contracts.

##### Article 3: Trading Principles and Strategies

The trading principles and strategies here shall include the types of derivatives that can be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and individual contracts.

1. The types of derivatives that can be traded:
  - (1) Forward contract: contracts that conduct pre-buying or pre-selling target assets and agree to deliver on a specific date in the future
  - (2) Option: the buyer of the option has the right to buy (call) or sell (put) the agreed amount of target assets at the strike price on a specific expiry date. The seller has the obligation to make the delivery at the strike price
  - (3) Other derivatives approved by the Board of Directors
2. Operating or hedging strategy  
The Company’s derivatives trading can be categorized into “hedging- purpose” and “trading-purpose” transactions, as described below:
  - (1) Strategy of hedging-purpose derivatives transactions  
The Company adopts the principle of optional hedging in derivatives trading, in which it shall operate incrementally to the adverse risk that comes from expected value changes in the underlying derivative products on the asset or liability positions held or needed by the Company.
  - (2) Strategy of trading-purpose derivatives transactions  
Due to the changing environment, in order to increase non-operating income or decrease non-operating losses for the Company, trading personnel shall seize the opportunity to engage in trading-purpose derivatives transactions.
3. Maximum amount limits on derivatives contracts
  - (1) The position on hedging-purpose derivatives shall not exceed 40% of the

- Company's net worth in the previous period.
- (2) The position on trading-purpose derivatives shall not exceed 5% of the Company's net worth in the previous period.
  - (3) The total amount of the above-mentioned hedging-purpose and trading-purpose derivatives shall not exceed 45% of the Company's net worth in the previous period.
4. Maximum loss limit on total trading and individual contracts
- (1) Hedging-purpose derivatives transactions:  
Since hedging-purpose derivatives transactions are made for the company's specific needs, and the underlying risk has been controlled and evaluated beforehand, there is no concern for the maximum loss limit.
  - (2) Trading-purpose derivatives transactions:  
The transaction amount shall be made within the limit authorized by the management team. After the trading position has been established, a stop loss point shall be defined to avoid excess losses. The stop loss point shall not be larger than 6% of the trading contract amount.
5. Authorization / Delegation
- The authorization and delegation of the Company are as follows.
- (1) The Board of Directors; chairperson:  
The senior management team in the Company's derivatives product trading.
  - (2) President  
The president is authorized by the Board of Directors as the senior executive officer in the Company's derivatives product trading.
  - (3) The financial department  
The personnel responsible for the execution of the Company's derivatives product trading. Its duties include collecting data about derivatives products and related regulatory requirements, designing hedging strategy, disclosing future risk, and providing timely information for relevant departments. Estimating the Company's needs for foreign exchange and other hedging positions, avoiding losses in accordance with the Company's policy, and maintaining income and cost level. Controlling every position in derivatives product trading and evaluating unrealized income and losses at market value.
  - (4) Accounting department  
Obtaining information about the Company's current trading positions anytime and periodically evaluating realized or unrealized income and losses. Meanwhile, the accounting department shall confirm every trade in order to implement the procedures for engaging in derivatives trading. In addition, it shall enter the trades into account in accordance with relevant requirements. Afterwards, it shall also periodically evaluate the positions held at fair market price and disclose related items of the derivatives in the financial statement.
  - (5) Auditing department:  
Examining the appropriateness of internal control in the trading process anytime in accordance with the requirements of internal audit operation.
  - (6) Cashier department:  
Publish the financial information according to the data provided by the

financial department within the prescribed time period after the accounting department has confirmed the details.

6. Performance evaluation

- (1) Calling a meeting every month to evaluate the performance of derivatives trading. The meeting shall be led by the chairperson or president.
- (2) At the end of every month, the financial department shall write reports on the foreign exchange position, summarize the monthly exchange gains and losses and the open interest of trading-purpose derivatives transactions, and conduct a performance review.
- (3) Every three months, the financial department shall report to the Board of Directors on the foreign exchange position, the dollar amount of hedging-purpose and trading-purpose derivatives, and prediction of annual exchange gains and losses.

Article 4: Operating procedures

1. Operating procedures for derivatives products

- (1) After discussing the feasibility of derivatives product trading in the meeting held by the president, the financial department shall conduct bidding, questioning, and trading within the authorized quota.
- (2) Once the transaction has been completed, it shall be filled in the order by the trader and then handed to the accounting department for item-by-item checking based on an outside confirmation list and entered into account.
- (3) Open interest transactions shall be evaluated by the accounting department at the fair market price. The accounting department shall also provide related reports to the management team for performance review.
- (4) When the trade reaches its expiry date, the financial department shall prepare receipts or invoices along with related documents for delivery.
- (5) The information of derivatives product trading shall be provided by the financial department and audited by the accounting department, and published within the required time period by the shareholder services department.

2. Authorized quota of derivatives trading

(1) Hedging-purpose transaction

Unit: USD

Authorization personnel Contract sum	President	Chairman	Board of Directors
<= NTD10,000,000	V		
NTD10,000,000 ~ NTD30,000,000	V	V	
> NTD30,000,000	V	V	V

(2) Trading-purpose transaction

Unit: USD

Authorization personnel Contract sum	President	Chairman	Board of Directors
<= NTD5,000,000	V		
NTD5,000,000 ~ NTD20,000,000	V	V	
> NTD20,000,000	V	V	V

3. Executors

In principle, derivatives product trading shall be made and managed by the financial department.

Article 5: Regulatory Reporting Procedures

1. For public companies, once the losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company, they shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days.
2. The completed derivatives transaction shall be confirmed by relevant personnel in accordance with regulation requirements shall compile monthly reports on the status of derivatives trading engaged in up until the end of the preceding month by itself, and for any subsidiaries that are not domestic public companies, and enter the information in the prescribed format into the reporting website designated by the FSC by the 10th day of each month.

Article 6: Accounting Procedures

The Company's accounting procedures for derivatives product transactions are established according to the requirements published by the competent authority and the ROC Accounting Research and Development Foundation (ARDF).

Article 7: Internal Control System

1. Risk management measures

Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department, and the personnel shall report to the Board of Directors or senior management personnel with no responsibility for trading or decision-making power on trading positions.

- (1) Concern for credit risk: the counter party in the transaction shall be mainly the financial institutions and futures brokers that have good relationships with the Company and are able to provide professional information.
- (2) Concern for market risk: since the future market price of derivatives may bring uncertain losses, the stop loss point shall be strictly executed after the position is made.
- (3) Concern for liquidity: to ensure liquidity, the trading institution must have adequate equipment, information, and ability to trade on any market.
- (4) Concern for operation: the authorized quota and operational procedures shall be followed fully to avoid operational risk.
- (5) Regulatory risk: any documents with outside signatures shall be examined by the law service department beforehand to avoid regulatory risk.
- (6) Product risk: inside traders shall be endowed with complete and correct knowledge about inside-traded derivatives to avoid losses.
- (7) Cash delivery risk: authorized traders shall not only strictly obey the rules of authorized trading quotas, but also keep notice of the Company's cash flow to make sure of the adequacy of cash in delivery.

2. Internal control

The goal of internal control is to detect transactions that are authorized, beyond-scope and un-recorded and losses that are not recognized. As a result, the Company set up the following rules for derivatives product transactions.

- (1) The authorities and duties of relevant personnel shall be well defined before the transaction.



- (2) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
  - (3) Personnel engaged in derivatives trading shall provide transaction certificates or contracts to the accounting personnel for recording and auditing.
  - (4) Accounting personnel shall periodically check with the Company's corresponding bank for account reconciliation or external confirmation.
  - (5) The auditing and accounting personnel shall mind any time the total trading amount has exceeded the maximum limit in the requirements.
  - (6) The Company shall establish independent confirmation and auditing systems in order to ensure the validity and rationality of the trading.
  - (7) The accounting department shall periodically prepare income statements based on the fair market price for the management team in conducting performance reviews.
  - (8) The auditing personnel are responsible for ex-post independent auditing on the whole transaction process.
3. Periodical evaluation principle
- (1) Derivatives trading positions held shall be evaluated at market price; however, positions for hedge trades required by business shall be evaluated at least twice per month; other positions shall be evaluated once per week. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
  - (2) The Board of Directors shall faithfully supervise and manage derivatives trading in accordance with the following principles:
    1. The delegated senior manager (the president) shall oversee the supervision and the control of the risk of derivative transactions anytime.
    2. Periodically evaluate whether the performance of derivatives transactions conform to the formulated operational policies and whether the risk taken is within the capability of the Company.
  - (3) Senior management personnel (president) authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:
    1. Periodically evaluate whether the current risk management measures employed are appropriate and are faithfully conducted in accordance with the "Procedures for Financial Derivatives Transactions" formulated by the Company.
    2. When irregular circumstances are found in the market evaluation report (e.g., the loss from trading positions has exceeded the loss limit), a report shall immediately be made to the Board of Directors, and appropriate measures shall be adopted.

Article 8: Internal Audit System

1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully the trading department adheres to the "Procedures for Financial Derivatives Transactions," and prepare an audit report for analyzing the trading cycle. If any material violation is discovered, all supervisors shall be notified in writing.
2. The audit report on derivatives trading shall be filed along with the

implementation status of annual internal audit plans to the information website required by SEC before the end of February next year. The Company shall also report the improvements of any abnormal affairs on the website required by SEC before the end of May next year.

Article 9: The derivatives trading procedures of an invested subsidiary of the Company shall be mandated under the Company's approval and shall be in accordance with the subsidiary's Procedures for Financial Derivatives Transactions.

The subsidiary shall recognize the procedures in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Article 10: If the Company's relevant personnel violate any of the procedures, they shall be punished by the Company's Reward and Punishment Policy.

Article 11: The procedures shall not be implemented until they are agreed upon by over one half of the members in the audit committee, proposed to and agreed upon by the Board of Directors and the shareholder committee. If the independent director has reserved or dissenting opinions recorded or notified in writing, the Company shall submit them to both the audit committee and the general shareholders meeting, and the same when there are amendments to the procedures. The company shall fully consider the opinions of each independent director when proposing the procedures to the Board of Directors in the meeting. If the independent director has reserved or dissenting opinions, they shall be recorded precisely in the meeting memorandum of the Board of Directors.

If the opinions mentioned above are not approved by over one half of the audit committee members, they can be implemented after getting approved by over two thirds of the directors, and the decisions shall be recorded precisely in the meeting memorandum of the Board of Directors. The members of the so-called audit committee and the Board of Directors are those who are currently in office.

## Appendix VIII

### Chunghwa Chemical Synthesis & Biotech Co., Ltd. Shareholdings of All Directors

Unit: shares

Title	Name	As of the record date on April 2, 2018		Legal representatives
		Number of shares held	Percentage	
Chairman	Hsun-Sheng Wang	2,854,230	3.68%	
Director	Hsun-Hui Wang	1,864,768	2.40%	
Director	China Chemical & Pharmaceutical Co., Ltd.	17,331,064	22.35%	Yin-Nan Sun
Director	Wang Min-Ning Memorial Foundation	1,691,982	2.18%	Chung-Hsin Huang
Independent Director	Cheng-Hsien Tsai	0	0.00%	
Independent Director	Kuo-Chiang Wang	0	0.00%	
Independent Director	Chih-Hsien Chang	0	0.00%	
Total number of shares held by directors		23,742,044	30.61%	

- Notes: 1. The current share capital is NTD775,600,000. The book value per share is NTD10 and the number of total shares issued is 77,560,000.
2. According to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," the ratio of shares held by all directors to the total number of shares issued shall be 8%.  
The minimum number of shares held by all directors shall be 6,204,800 shares.
3. CCSB has set up an audit committee. The regulation on the number of shares held by supervisors is not applicable.
4. CCSB meets the requirement of minimum shareholdings by all directors.

## Appendix IX

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

**The stock grants proposed by the shareholder meeting this year have no effect on the Company's operating performance and earnings per share.**

There was no proposal for stock grants during the 2018 Chunghwa Chemical Synthesis & Biotech Co., Ltd. Shareholder Meeting; therefore, this is not applicable here.