

Stock Code:1762



Chunghwa Chemical Synthesis & Biotech Co., Ltd.

# Agenda of 2019 General Shareholders Meeting



**Time:** 9:00am on May 31 (Friday), 2019

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

Note to Readers:

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

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

## **2019 General Shareholders Meeting Procedures**

- I. Announcement on attendants holding shares
- II. Commence Meeting
- III. Chairman's Speech
- IV. Reporting matters
- V. Acknowledgments
- VI. Discussions
- VII. Elections
- VIII. Other Discussions
- IX. Extempore Motion
- X. Adjournment

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

## **2019 General Shareholders Meeting Agenda**

Time: 9:00am on May 31 (Friday), 2019

Location: 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. Reporting matters
  - (I) The 2018 Business Report.
  - (II) Audit committee's review report on the 2018 financial results.
  - (III) Report on the 2018 employees' compensation and remuneration to directors.
  - (IV) Other reports.
- V. Acknowledgments
  - (I) 2018 Business Report and Financial Statements.
  - (II) Distribution of 2018 earnings.
- VI. Discussions
  - (I) Partial amendments to the "Regulations Governing the Acquisition or Disposal of Assets".
  - (II) Partial amendments to the "Regulations and procedures for engaging in derivatives trading".
  - (III) Partial amendments to the "Operational Procedures for Loaning Funds to Others".
  - (IV) Partial amendments to the "Procedures for Endorsing as a Guarantor".
- VII. Elections

The director (including the independent director) re-election case.
- VIII. Other Discussions

Proposal for canceling the non-compete restriction for new directors and their representatives.
- IX. Extempore Motion
- X. Adjournment

# Reporting matters

- I. Please refer to Appendix I for the 2018 Business Report (Pages 49~52).
- II. Audit committee's review report on the 2018 financial results, see Appendix II (Page 53).
- III. Report on the 2018 employees' compensation and remuneration to directors.  
Note: (1) The Board of Directors resolved on March 8, 2019 to pay cash in the amount of NTD15,488,375 as employee compensation and NTD1,548,838 as director compensation.  
(2) The dollar amounts mentioned above are the same as the recognised expenses in 2018.
- IV. Other reports  
Note:(1) In accordance with the requirement of Article 172-1 of the Company Act, the Company will receive shareholder proposals during the period of 10:00am, March 23 to April 2, 2019.  
(2) There are no shareholder proposals received for the shareholders' meeting this year.

# Acknowledgments

Case 1: (Proposed by the Board of Directors)

Proposal: Please confirm the 2018 Business Report and Financial Statements.

- Note:
- I. The 2018 Consolidated Financial Report and the Individual 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 Shuchiung Chang, the certified public accountants in PwC Taiwan.
  - II. For details of the 2018 Business Report, Auditor Report, Consolidated Financial Report and Individual Financial Statements, see Appendix 1 (Pages 49–52) and Appendix 3 (Pages 54–77).
  - III. Please acknowledge.

Resolution:

Case 2: (Proposed by the Board of Directors)

Proposal: Please confirm the 2018 earnings distribution.

- Note:
- I. Please check the Company's distribution of net earnings in 2018.
  - II. For the earnings distribution table, please see Appendix IV (Page 78).
  - III. The cash dividend will be NTD1.2 per share this year. In the future, if the outstanding shares change due to the Company's share buyback, transferring or retiring of treasury shares, changing convertible bonds into ordinary shares, or employees' execution of the call option, and this leads to the fluctuation of dividend distribution rates among shareholders, or if such changes have to be made as instructed by the regulatory authorities, shareholders are requested to authorize the Board of Directors for the administrative process.
  - IV. Regarding the earnings distribution, we propose the 2019 Shareholders' Annual Meeting for approving the resolution and authorizing the Board of Directors to decide on the ex-dividend date and other details.

Resolution:

## Discussions

Case 1: (Proposed by the Board of Directors)

Proposal: Partial amendments to the “Regulations Governing the Acquisition or Disposal of Assets”.

Description 1. In accordance with the Nov. 26, 2018 SFC Securities Issuance No. 1070341072 directive, partial provisions of the “Criteria for Handling Acquisition and Disposal of Assets by Public Companies,” there are plans to amend the relevant provisions of the company’s “Procedure for Acquisition and Disposal of Assets.”

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

| After amendment   | Current existing clauses   | Description   |
|---|--|---|
| <p>Article 3:<br/>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Stocks, bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficiary certificate, asset-based securities, etc.</li> <li>2. Real estate (including land, housing and construction, investment real estate) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets, including patents, copyrights, trademarks, licenses and others</li> <li>5. <u>Right-of-use assets</u></li> <li>6. Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions.</li> <li>7. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing</u></li> </ol> | <p>Article 3:<br/>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Stocks, bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficiary certificate, asset-based securities, etc.</li> <li>2. Real estate (including land, housing and construction, investment real estate, and <u>land use rights</u>) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets, including patents, copyrights, trademarks, licenses and others</li> <li>5. Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions</li> <li>6. Derivatives: Refers to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term</li> </ol> | <ol style="list-style-type: none"> <li>1. In compliance with the applicable International Financial Reporting Standards number 16 lease journal stipulations, paragraph 5 has been appended, to expand the scope of the operating rights assets.</li> <li>2. In compliance with the International Financial Reporting Standards number 9 financial instrument definitions, the scope of the processing procedure’s derivative products has been amended, together with the text revision fittingly made.</li> <li>3. Because the Company Act’s</li> </ol> |

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| <p>embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts</u>.</p> <p>8. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>9. Other important assets</p>                     | <p>purchases (sales) contracts.</p> <p>7. The assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: Refers to the assets acquired or disposed of through merger, division or acquisition in accordance with the Business Merger Act, Financial Holding Company Act, Financial Institution Merger Act or any other law; or the issuance of new shares in exchange for the stock shares of other companies in accordance with Article 156 Paragraph 8 of the Company Act (hereinafter referred to as “transfer of shares”).</p> <p>8. Other important assets</p> | <p>amended provisions have since August 1, 2018 been announced, and have been implemented as of November 1, 2018, the initial paragraph 7-cited “Article 156, Paragraph 8” is hereby amended to “Article 156-3” in support of the Article amendment, and the Article order has also been amended.</p>   |
| <p>Article 4:<br/>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <p>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since</u></p> | <p>Article 4:<br/>For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters, and the trade parties must be not be related.</p>  | <p>1. In accordance with “Criteria for Acquisition or Disposal of Assets by Publicly-listed Companies,” where relevant publicly-listed companies contacting professional appraisers and their appraisal personnel, certified public accountants, legal counsels, securities underwriters and related experts shall caution of matters shall be streamlined into it, complete with referencing the</p> |



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| <p><u>expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> |  | <p>Securities Transaction Law Article 53 Paragraph IV governing the directors, auditors and managers' passive qualifications and the Criteria for Soliciting and Issuing Marketable Securities by Issuers Article 8 Paragraph I subparagraph XV and their managing director's honest/integral principal and related stipulations, paragraph I sub-paragraph I through sub-paragraph III have been appended to clearly define the relevant experts' passive qualifications.</p> <p>2. To ascertain the external experts' liability and upon referencing pertinent evaluation, review and affidavit matters and the like set forth in the Criteria for Compiling Financial Statements by Securities Issuers Article 9 investment-based real estate-related</p> |
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|  |   | CPA's rational opinions on appraisal report, paragraph II has been appended, to clearly define the relevant experts-issued appraisal report or opinion letter's review, validation and affidavit matters.   |
| <p>Article 5:<br/>The total sum of the company and its various subsidiary companies may purchase non-operating use real estate <u>and their operating rights assets</u> or marketable securities, and the cap they may invest individually on marketable securities are as follows:</p> <p>The Company:</p> <ol style="list-style-type: none"> <li>1. The total sum of non-operating use real estate <u>and its occupancy rights assets</u> may not exceed twenty percent of the company's net valuation.</li> <li>2. The total sum of long-term, short-term investments held in marketable securities may not exceed <u>seventy</u> percent of the company's net valuation.</li> <li>3. The cap for investing in individual marketable securities may not exceed <u>sixty</u> percent of the company's net valuation.</li> </ol> <p>Subsidiaries:</p> <ol style="list-style-type: none"> <li>1. The total sum of non-operating use real estate and <u>its occupancy rights assets</u> may not exceed ten percent of the company's net valuation.</li> <li>2. The total sum of marketable securities may not exceed fifteen percent of the company's net valuation.</li> <li>3. The cap for investing in individual marketable securities may not exceed ten percent of the</li> </ol> | <p>Article 5:<br/>The total sum that the company and its subsidiaries may individually purchase non-operating use real estate of marketable securities, and the cap on marketable securities that they may invest in individually are as follows:</p> <p>The Company:</p> <ol style="list-style-type: none"> <li>1. The sum of non-business real estate property held shall not exceed 20% of net worth.</li> <li>2. The total sum of investing in long-, short-term marketable securities may not exceed forty percent of the company's net valuation.</li> <li>3. The cap for investing in individual marketable securities may not exceed thirty percent of the company's net valuation.</li> </ol> <p>Subsidiaries:</p> <ol style="list-style-type: none"> <li>1. The total sum of non-operating use real estate may not exceed ten percent of the company's net valuation.</li> <li>2. The total sum of marketable securities may not exceed fifteen percent of the company's net valuation.</li> <li>3. The cap for investing in individual marketable securities may not exceed ten percent of the company's net valuation.</li> </ol> <p>The terms "subsidiary", as defined in the Regulations Governing the Preparation of Financial Reports</p> | <p>In coordinating with the applicable International Financial Reporting Standards number 16 lease journal stipulations, an amendment has been made to streamline non-operating real estate's occupancy right assets into calculating the cap on company-defined processing procedure guidelines, also per the operating needs, adjustments have been made to the total sum that the company may invest in long-, short-term marketable securities and the cap for investing in individual marketable securities.</p> |

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| <p>company's net valuation.</p> <p>The terms "subsidiary", as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The term "net valuation" refers to the owner's equity belonging to the parent company as classified in the balance set as stipulated by stipulations set forth under the Criteria for Compiling Financial Statements by Securities Issuers."</p>  | <p>by Securities Issuers.</p> <p>The term "net valuation" refers to the owner's equity belonging to the parent company as classified in the balance set as stipulated by stipulations set forth under the Criteria for Compiling Financial Statements by Securities Issuers."</p>  |   |
| <p>Article 7: Procedures for determining transaction terms</p> <p>1. The method of obtaining or disposing of the asset price and the reference basis:</p> <p>..... (omitted)</p> <p>2. Obtaining or disposing of assets shall be decided by the authority and authority within the scope of authorization:</p> <p>(1) Acquire or dispose of securities</p> <p>..... (omitted)</p> <p>(2) Acquisition or disposal of real estate, other capital assets <u>or their operating right assets</u>:</p> <p>1. In the acquisition or disposal of real estate of <u>its operating rights assets</u>, where the amount is at up to thirty million NTD, it shall be presented for the chairman's approval and also declared before the most recent board meeting thereafter pending verification, and of those exceeding thirty million NTD, it is also required to be declared with the audit committee for the consent by over one-half of the entire members, and is also to be presented for the management board's action before it may be made.</p> <p>2. In the acquisition or</p> | <p>Article 7: Procedures for determining transaction terms</p> <p>1. The method of obtaining or disposing of the asset price and the reference basis:</p> <p>..... (omitted)</p> <p>2. Obtaining or disposing of assets shall be decided by the authority and authority within the scope of authorization:</p> <p>(1) Acquire or dispose of securities</p> <p>..... (omitted)</p> <p>(2) Acquisition or disposal of real estate and other capital assets:</p> <p>1. In acquisition or disposal of real estate where the amount is up to thirty million NTD, it shall declare for the chairman's approval, and also presented at the most recent board meeting thereafter, and of those exceeding thirty million NTD, it also needs to declare with audit committee for the consent of over one-half of the entire members, complete with declaring it with management board for resolution voting before it may be made.</p> <p>2. In acquisition or disposal of other capital assets, where the amount is up to ten million NTD</p> | <p>In addition, the right-of-use asset was included in the scope in coordination with IFTS 16 – Leases.</p> |

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| <p>disposal of other capital assets <u>or their operating right assets</u>, where the amount is up to ten million NTD (inclusive), it is sought per the approval clearance regulations; of those exceeding ten million NTD, it needs to be declared separately with the audit committee for its consent by over one-half of the entire members, and also declare it with management board for resolution voting before it may be made.</p>  | <p>(inclusive), it is sought per approval clearance regulations; of those exceeding ten million NTD it needs to be declared separately with the audit committee for the consent by over one-half of the entire members, complete with declaring it with the management board before it may be made.</p>   |   |
| <p>Article 8:<br/>The company, when acquiring or disposing assets, shall commission experts to issue a report by asset type per the stipulations below:</p> <ol style="list-style-type: none"> <li>In the event that the transaction amount for acquiring or disposing of real property, other fixed assets, or <u>its right-of-use assets</u> reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a <u>domestic government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or its right-of-use assets held for business use</u>.</li> <li>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same procedure shall also be</u></li> </ol> | <p>Article 8:<br/>The company, when acquiring or disposing assets, shall commission experts to issue a report by asset type per the stipulations below:</p> <ol style="list-style-type: none"> <li>In the event that the transaction amount for acquiring or disposing of real property or other fixed assets, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use. <ol style="list-style-type: none"> <li>If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.</li> <li>Where the transaction amount is NT\$1 Billion or more,</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>Governmental agencies defined in paragraph I refer to Taiwan's central and local governmental agencies, which primarily takes into account Taiwan's central and local governmental agencies' transactions needing to undergo sales bidding or price bidding and the like in accordance with the relevant regulations, where there is a lesser probability of price manipulation, hence are exempted from obtaining an expert opinion, as to transactions with foreign governmental agencies, which has yet fallen</li> </ol> |

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| <p><u>followed whenever there is any subsequent change to the terms and conditions of the transaction.</u></p> <p>(2) Where the transaction amount is NT\$1 Billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The spread between the appraisal result and the transaction amount exceeds 20%.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(4) Where a professional valuation is used, the valuer's report shall be dated no further than 3 months from the contract date. However, if it is subject to the announced present value of the same period and that is not more</p> | <p>appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The spread between the appraisal result and the transaction amount exceeds 20%.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(4) Where a professional valuation is used, the valuer's report shall be dated no further than 3 months from the contract date. However, if it is subject to the announced present value of the same period and that is not more than six months away, an opinion can be issued by the original appraiser.</p> <p>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event</p> | <p>into the scope of the provision's exemption, thus paragraph I has been amended to clearly stipulate that it is only limited to local governmental agencies.</p> <p>2. In addition, the right-of-use asset was included in the scope in coordination with IFTS 16 – Leases.</p> <p>3. In compliance with the Financial Supervisory Commission's August 29, 2018 SFC Securities Issuance no. 1070331908 directive, the content of paragraph II has been amended.</p> |
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| <p>than six months away, an opinion can be issued by the original appraiser.</p> <p>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. Except where said marketable securities have an active market's opening quotation or met the stipulated circumstances below, it may be exempt from obtaining the financial statements or contact the CPA for expressing his/her opinion.</p> <p>(1) The marketable securities <u>legally</u> founded incepted or instilled through solicitation and acquired through cash capital contribution and the entitlements of the acquired marketable securities are deemed comparable to the capital contribution by percentage.</p> <p>(2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.</p> <p>(3) The marketable securities issued by a one hundred percent invested</p> | <p>the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. Except where said marketable securities have an active market's opening quotation or met the stipulated circumstances below, it may be exempt from obtaining the financial statements or contact the CPA for expressing his/her opinion.</p> <p>(1) The marketable securities founded, incepted in accordance with the <u>Company Act</u> or solicited and incepted through capital contributions and the entitlements of the acquired marketable securities are deemed comparable to the capital contribution in percentage.</p> <p>(2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.</p> <p>(3) Securities are acquired by subscribing to a cash issue organized by the Company's 100%-owned investee.</p> <p>(4) The security in question is traded over the Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), or the Emerging Stock Market.</p> |  |
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| <p>company <u>directly or indirectly participating in the pledging, or the marketable securities issued by one hundred percent vested subsidiaries that mutually participate in the pledging through cash reinvestment.</u></p> <p>(4) The security in question is traded over the Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), or the Emerging Stock Market.</p> <p>(5) The security in question is a <u>domestic</u> government bond or a repurchase/resale agreement.</p> <p>(6) Openly solicited funds.</p> <p>(7) Acquisition or disposal of open listed (over-the-counter traded) company shares per the <u>Taiwan Securities Exchange Company, Limited</u> or the Taipei Exchange's public listed (OTC) securities/notes bidding measures or auctioning measures.</p> <p>(8) Participating in publicly issued companies' cash re-investment share pledging or locally pledged corporate bonds (including financial bonds), and the acquired marketable securities also do not fall under privately solicited marketable securities.</p> <p>(9) In accordance with Securities Investment Trust and Consulting Law Article 11 paragraph 1 stipulation, prior to a fund sustains, pledging for local privately solicited funds or pledging, buying back locally solicited funds, where the trust contract specifies</p> <p>3. For the Company's acquisition or disposal of assets by the court</p> | <p>(5) The security in question is a government bond or a repurchase/resale agreement.</p> <p>(6) <u>Local/offshore</u> open solicited funds.</p> <p>(7) The acquisition or disposal involves TWSE or TPEX-listed shares, and the transaction is completed according to Taiwan Stock Exchange Corporation/Taipei Exchange Rules Governing Purchase of Listed Securities by Reverse Auction or Rules Governing Auction of Listed Securities by Consignment.</p> <p>(8) Participating in openly listed companies' cash reinvestment share pledging or locally pledged corporate bonds (including financial bonds), and the acquired marketable securities do not fall under privately solicited marketable securities.</p> <p>(9) In accordance with Securities Investment Trust and Consulting Law Article 11 paragraph 1 stipulation, prior to a fund sustains, pledging for local privately solicited funds or pledging, buying back locally solicited funds, where the trust contract specifies</p> <p>3. For the Company's acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.</p> <p>4. The Company's acquisition or disposal of membership card or intangible assets for an amount exceeding 20% of the paid-in capital or NTD300 million, except for transactions with government agencies, should have a CPA contracted to express an opinion on the reasonableness</p> |  |
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| <p>auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.</p> <p>4. In the event that the transaction amount for acquiring or disposing of intangible assets <u>or its right-of-use assets or memberships</u> reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a <u>domestic</u> government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price. The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>5. The transactions amount in the Paragraph 1, 2, 4 of this Article should be calculated in accordance with Article 13 Paragraph 2. Also, the alleged "within one year" meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions acquired in accordance with the guidelines.</p> | <p>of the price prior to the date of the event. The CPA should have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation.</p> <p>5. The transactions amount in the Paragraph 1, 2, 4 of this Article should be calculated in accordance with Article 13 Paragraph 2. Also, the alleged "within one year" meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions acquired in accordance with the guidelines.</p> |  |
| <p>Article 9: Transactions of the related party</p> <p>1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount</p>   | <p>Article 9: Transactions of the related party</p> <p>1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount</p>   | <p>1. Government bonds defined under paragraph II pertain to local government bonds, which primarily take into account Taiwan's central and local governments' debt credit ratings being clear and can be easily inquired,</p> |



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| <p>over 10% of the Company's total assets.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 5, Article 8 herein.</p> <p>The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p> <p>2. In acquisition or disposal of real estate of <u>its occupancy right assets</u> with a related party, or in the acquisition or disposal of other assets beyond real estate of <u>its occupancy rights assets</u>, where the transaction amount has also reached twenty percent of the company's paid-in capitalization, ten percent of its total assets, or over three hundred million NTD, except for trading on <u>local</u> government bonds, provisional buyback, sellback termed bonds, pledging or buying back local securities investment trust enterprises issued monetary market funds, the below data shall be presented to the audit committee for the consent by over one-half of the entire members, and also present it to the management board for motioning in favor, before the transaction contract may be signed and the funds paid, and which may also commensurate to the stipulations set forth under Article 14 paragraph 8 and paragraph 9:</p> <p>(1) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>(2) The reasons for selecting the related party as the counterparty.</p> <p>(3) With respect to the acquisition of real property or <u>right-of-use assets</u> thereof</p> | <p>over 10% of the Company's total assets.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 5, Article 8 herein.</p> <p>The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p> <p>2. Acquisition or disposal of real estate with a related party, or acquisition or disposal of other assets beyond real estate with a related party, where the transaction amount also reaches twenty percent of the company's paid-in capitalization, ten percent of its total assets or over three hundred million NTD, except for trading on local government bonds, provisional buyback, sellback termed bonds, pledging or buying back local securities investment trust enterprises issued monetary market funds, the below data shall be presented to the audit committee for the consent by over one-half of the entire members and also present it to the management board for motioning in favor, before the transaction contract may be signed and the funds paid and which may also be commensurate to the stipulations set forth under Article 14 paragraph VIII and paragraph IX:</p> <p>(1) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>(2) The reasons for selecting the related party as the counterparty.</p> <p>(3) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the</p> | <p>thus are exempt from being presented for motioning before the management board, as to foreign governments' debt credit ratings that vary, they are not within the provision's exemption scope, it clearly stipulates that they are only limited to local government bonds; also in coordinating the applicable International Financial Reporting Standards number 16 lease journal stipulations, the occupancy right assets are streamlined into the provision's guideline.</p> <p>2. In coordinating applicable International Financial Reporting Standards number 16 lease journal stipulations, amendment has thus been made to streamline real estate occupancy rights assets acquired from a related party into the provision's guideline.</p> |
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| <p>from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, 4, 5,6 of this Article.</p> <p>(4) The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</p> <p>(5) Expected monthly cash income and expense statement within one year from the contracted month, and assessing the necessity of the transactions and the reasonableness of the funds application</p> <p>(6) Obtain an appraisal report issued by a professional appraiser in accordance with the provisions referred to above or a CPA's opinion.</p> <p>(7) The restrictions and other important stipulations of the transaction.</p> <p>The transaction amount referred to above is calculated in accordance with Article 13 Paragraph 2, and the so-called within one year is the year prior to the date of the event; also, the portion that has been submitted under the Procedures to the Board of Directors and Audit Committee for approval needs not be included for calculation.</p> <p><u>When the company and its subsidiaries or if the subsidiaries that the company owns one hundred percent directly or indirectly on issued shares or by a total capitalization engaging in the following transactions, the management board may cite Article 7 paragraph II to authorize the chairman to rule on it first within a certain cap, before declaring it with the most recent</u></p> | <p>preliminary transaction terms in accordance with Paragraph 3, 4, 5, 6 of this Article.</p> <p>(4) The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</p> <p>(5) Expected monthly cash income and expense statement within one year from the contracted month, and assessing the necessity of the transactions and the reasonableness of the funds application</p> <p>(6) Obtain an appraisal report issued by a professional appraiser in accordance with the provisions referred to above or a CPA's opinion.</p> <p>(7) The restrictions and other important stipulations of the transaction.</p> <p>The transaction amount referred to above is calculated in accordance with Article 13 Paragraph 2, and the so-called within one year is the year prior to the date of the event; also, the portion that has been submitted under the Procedures to the Board of Directors and Audit Committee for approval needs not be included for calculation.</p> <p><u>When reported to the Board for discussion in accordance with Paragraph 2 of this Article, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</u></p> <p>3. Acquisition of real estate shall adhere to the method below to evaluate the rationality of the transaction cost (when buying the same property's land and building combined, the transaction cost</p> | <p>3. In coordinating the practical implementation of leasing the plant and related real estate, real estate occupancy right assets acquired from a related party has been relaxed, enabling the nearby area's non-related party's leasing transactions within one year can be used for actuation and deduction on the rationality of the transaction price with reference case examples, and the appending that lease case examples can also be taken as transaction case examples.</p> <p>4. In support of the applicable International Financial Reporting Standards number 16 lease journal stipulations, amendment has been made on real estate occupancy rights asset acquired from related party through a team by streamlining mandated filing matter guideline when the cost is evaluated to be lower than the transaction price.</p> <p>5. In case of the</p> |
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| <p><u>period's audit committee afterwards for the consent by over one-half of the entire members, before it is declared before the most recent period's board meeting seeking for retro-active recognition:</u></p> <p>(1) <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p>(2) <u>Acquisition or disposal of real property or right-of-use assets thereof held for business use.</u></p> <p>3. Acquisition of real estate of <u>its occupancy rights assets</u> shall adhere to the method below to evaluate the rationality of the transaction cost (when buying or leasing the same property's land and building combined, the transaction cost may be evaluated by any of the following methods separately on the land and the building):</p> <p>(1) Based on the related party transaction price plus the necessary capital interest and the cost of the buyer The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.</p> <p>(2) If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the</p> | <p>may be evaluated by any of the following methods separately on the land and the building):</p> <p>(1) Based on the related party transaction price plus the necessary capital interest and the cost of the buyer The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.</p> <p>(2) If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.</p> <p>4. The cost of the real estate acquired by the Company from the related party should be assessed in accordance the Paragraph 3 of this Article; also, a CPA should be commissioned to review and express an opinion.</p> <p>5. Acquisition of real estate with a related party, when encountering one of the following circumstances, may be exempt from the provision paragraph III and paragraph IV stipulations, but shall still be sought per the</p> | <p>necessity and needs for collective group purchasing or leasing for business use equipment for re-transfer (including selling or sub-leasing), or leasing real estate for sub-leasing between publicly-listed companies and their subsidiaries, or directly or indirectly one hundred percent-owned subsidiaries, where such transactions also carry a lower risk, the content of the provision has thus been amended, to relax said companies' acquisition or disposal of business-use equipment, the operating rights assets or business-use real estate operating rights assets, which may authorize the chairman to proceed first, complete with fitting text amendment.</p> |
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| <p>assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.</p> <p>4. When acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall assess the fairness of the transaction cost with respect to the Paragraph 3 of this Article and ask a CPA for a review and specific opinion.</p> <p>5. Of real estate or <u>its occupancy rights assets</u> acquired from a related party, under one of the following circumstances, it may be exempt from the provision's paragraph III and paragraph IV stipulations, but shall still be processed per the provision paragraph II stipulations.</p> <p>(1) The related party acquired the real property <u>or right-of-use assets</u> thereof through inheritance or as a gift.</p> <p>(2) Related party's contracting for the acquisition of real estate <u>or its right-of-use assets</u> is over five years from the date of the trade contract signed.</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>(4) <u>The real property right-of-use assets for business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>6. Paragraph 3 of this Article shall</p> | <p>provision paragraph II stipulations:</p> <p>(1) The related party acquired the real property thereof through inheritance or as a gift.</p> <p>(2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>6. Paragraph 8 of this Article shall apply to real estate properties acquired from related parties if the valuation methods described in Paragraph 3 of this Article both produce a value that is lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <p>(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <p>1. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term "reasonable construction profit" is based on the average gross profit rate in the last three years of the related party's construction department or the latest</p> |  |
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| <p>apply to real estate properties acquired from related parties if the valuation methods described in Paragraph 7 of this Article both produce a value that is lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <p>(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <ol style="list-style-type: none"> <li>1. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</li> <li>2. The <u>transaction terms</u> and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance</li> </ol> | <p>gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</p> <ol style="list-style-type: none"> <li>2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.</li> <li>3. <u>The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.</u></li> </ol> <p>(2) The Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>(3) The alleged “successful trade” in the neighborhood referred to (1), (2) for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the</p> |  |
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| <p>with property transaction <u>or lease practices</u>.</p> <p>(2) Where the company acquiring real property, <u>or obtaining real property right-of-use assets</u> through leasing, from a related party provides evidence that the terms <u>of the transaction</u> are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) Transactions in the neighborhood as claimed in the (1)(2), refer, in principle, to transactions of real property in the same or neighboring block and within less than 500 meters radius from the premises or with a close assessed value. "Similar area" as claimed in the preceding paragraph refers, in principle, to the area of property in transactions completed by unrelated parties not less than fifty percent (50%) of the property for transaction. "Within the previous year" as claimed in the preceding paragraph refers to the one year before the date of acquisition of the real property or its right-of-use assets.</p> <p>7. Of real estate and <u>its occupancy right assets</u> acquired from a related party, where the findings as evaluated per the provision's paragraph III, paragraph IV, paragraph V and paragraph VI have all been lower than the transaction price, the below matters shall be processed:</p> <p>(1) A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange</p> | <p>acquisition of real estate.</p> <p>7. Of real estate acquired from a related party, where the findings as evaluated per the provision's paragraph III, paragraph IV, paragraph V and paragraph VI have all been lower than the transaction price, the below listed matters shall be processed:</p> <p>(1) A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets purchased at a higher price has been recognized as a loss for devaluation or disposed of, or appropriate compensation has been made; or restoration as is is completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.</p> <p>(2) The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.</p> <p>(3) The results of handling according to the (1), (2) shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report</p> |  |
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| <p>Act against the difference between the transaction price and the appraised cost of real property or its right-of-use assets, without being distributed or used for capital increase or issuance of bonus shares. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets <u>purchased or leased</u> at a higher price has been recognized as a loss for devaluation or disposed of, or the lease of such assets has been terminated; or appropriate compensation has been made; or restoration as is completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.</p> <p>(2) The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.</p> <p>(3) The results of handling according to the (1), (2) shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</p> <p>With acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall comply with the Subparagraphs (1),</p> | <p>and the prospectus.</p> <p>The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the Subparagraphs (1), (2) and (3), Paragraph</p> |  |
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| <p>(2) and (3), Paragraph 7 if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>   |   |   |
| <p>Article 10: Acquisition or disposal of intangible assets <u>or their operating right assets or membership certificates</u> or financial institutions' debt claims:</p> <ol style="list-style-type: none"> <li>1. Of acquisition or disposal of intangible assets or operating rights assets or membership certificates where the amount is at up to three million NTD, it shall be presented for the chairman's approval and also voluntarily declare at the most recent board meeting thereafter, and of those exceeding three million NTD, it also needs to declare with the audit committee for the consent of over one-half of the entire members, and also presented for the board meeting's motioning in favor before it may proceed.</li> <li>2. In principle, the Company does not acquire or dispose of debt of financial institutions. Acquisition or disposal of debt from/to financial institutions will be subject to Board of Directors' approval, and would require prior establishment of valuation and operating procedures.</li> </ol> | <p>Article 10: Acquisition or disposal of membership certificates or intangible assets or financial institutions' debt claims:</p> <ol style="list-style-type: none"> <li>1. of acquisition or disposal of membership certificate or intangible asset, where the amount is at up to three million NTD, it shall be declared for the chairman's approval and also declare at the most recent board meeting thereafter, and of those exceeding three million NTD, it needs to declare separately with audit committee for the consent of over one-half of the entire members, and also declare for action by management board before it may proceed.</li> <li>2. In principle, the Company does not acquire or dispose of debt of financial institutions. Acquisition or disposal of debt from/to financial institutions will be subject to Board of Directors' approval, and would require prior establishment of valuation and operating procedures.</li> </ol> | <p>In response to applicable International Financial Reporting Standards number 16 lease journal stipulations, amendment has been made to streamline the operating right asset into the provision's guidelines, together with fittingly amended text.</p> |
| <p>Article 12: Corporate merger, spins-off, acquisition, and assignment of shares</p> <ol style="list-style-type: none"> <li>1. For the process of corporate merger, spins-off, acquisition, or assignment of shares, the Company should have a CPA, lawyer, or securities underwriter invited to comment on the reasonableness of the exchange ratio, acquisition price, cash distributed to the shareholders, and the other assets and then presented in the board meeting for resolutions. For mergers</li> </ol>  | <p>Article 12: Corporate merger, spins-off, acquisition, and assignment of shares</p> <ol style="list-style-type: none"> <li>1. For the process of corporate merger, spins-off, acquisition, or assignment of shares, the Company should have a CPA, lawyer, or securities underwriter invited to comment on the reasonableness of the exchange ratio, acquisition price, cash distributed to the shareholders, and the other assets and then presented in the board meeting for resolutions. For mergers</li> </ol>  | <p>In accordance with "Regulations Governing the Acquisition or Disposition of Assets by Public Companies," the text has been fittingly amended.</p>  |



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| <p>between the Company and wholly-owned subsidiaries directly or indirectly, or for mergers between wholly-owned subsidiaries directly or indirectly, it is not necessary to obtain a reasonable opinion from the aforementioned experts.</p> <p>2~4.....(omitted)</p> <p>5. The Company <u>that participates in the merger, spins-off, acquisition, or assignment of shares should</u> have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:</p> <p>(1) Event of default.</p> <p>(2) The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger</p> <p>(3) The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.</p> <p>(4) The process for the changes in the entity and the number of companies involved.</p> <p>(5) The expected progress of the project and the schedule of completion.</p> <p>(6) The process of convening a shareholders' meeting when the project is not completed on time.</p> <p>6~10.....(omitted)</p> | <p>between the public company and wholly-owned subsidiaries directly or indirectly, or for mergers between wholly-owned subsidiaries directly or indirectly, it is not necessary to obtain a reasonable opinion from the aforementioned experts.</p> <p>2~4.....(omitted)</p> <p>5. The contract for merger, demerger, acquisition or transfer of shares shall stipulate <u>relevant</u> rights and obligations and the below matters:</p> <p>(1) Event of default.</p> <p>(2) The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger</p> <p>(3) The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.</p> <p>(4) The process for the changes in the entity and the number of companies involved.</p> <p>(5) The expected progress of the project and the schedule of completion.</p> <p>(6) The process of convening a shareholders' meeting when the project is not completed on time.</p> <p>6~10.....(omitted)</p> |   |
| <p>Article 13: Information Disclosure Procedures:</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of</p>   | <p>Article 13: Information Disclosure Procedures:</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of</p>  | <p>1. Amendment made to government bonds defined under paragraph I and paragraph VI, which primarily taking</p> |

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| <p>the event in accordance with the nature and the prescribed format:</p> <p>(1) The acquisition or disposal of real estate <u>or right-of-use assets</u> from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, <u>domestic bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</u> is not subject to such requirements.</p> <p>(2) Process merger, spins-off, acquisition, or assignment of shares.</p> <p>(3) Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>(4) The acquired or disposed assets are equipment for business use <u>or their right-of-use assets</u>, and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> <li>1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> <li>2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</li> </ol> <p>(5) Acquisition of real property under an arrangement on engaging others to build on the Company's own land,</p> | <p>the event in accordance with the nature and the prescribed format:</p> <p>(1) The acquisition or disposal of real estate from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, <u>bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</u> is not subject to such requirements.</p> <p>(2) Process merger, spins-off, acquisition, or assignment of shares.</p> <p>(3) Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>(4) The assets acquired or disposed of fall within the category of business equipment, and the counterparties in the transactions are not related parties and the amount of transactions meet any of the following requirements:</p> <ol style="list-style-type: none"> <li>1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> <li>2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</li> </ol> <p>(5) The Company intends to invest more than NTD500 million in acquiring property by proprietary-land</p> | <p>into consideration Taiwan's central and local governments' debt credit ratings are clear and can also be easily inquired, thus are exempted from the announcement, as to foreign governments' debt credit ratings that vary, and are not within the provision's exemption scope, it has thus been amended to clearly stipulate only limited to local government bonds.</p> <p>2. In addition, the right-of-use asset was included in the scope in coordination with IFTS 16 – Leases.</p> <p>3. While the need for disclosure of transactions with a related party is defined in subparagraph 1 of paragraph 1, and subparagraph 5 aims to govern transactions with unrelated parties, subparagraph 5 of paragraph 1 was amended accordingly to provide a dependable reference for implementation.</p> |
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| <p>engaging others to build on rented land, joint construction and redistribution of housing units, joint construction and redistribution of ownership percentages, or joint construction <u>and separate sales from an unrelated party</u> in which the Company expects to invest up to NT\$500 million.</p> <p>(6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the five paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. <u>Domestic</u> government bonds trade.</li> <li>2. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</li> </ol> <p>2. The transaction amount referred to above is calculated in accordance with the following methods.</p> <ol style="list-style-type: none"> <li>(1) The amount of any individual transaction.</li> <li>(2) The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;</li> <li>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.</li> </ol> | <p>construction, leased-land construction, building-sharing construction, percentage-sharing construction or sale-sharing construction.</p> <p>(6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the five paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. Bond trade.</li> <li>2. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</li> </ol> <p>2. The transaction amount referred to above is calculated in accordance with the following methods.</p> <ol style="list-style-type: none"> <li>(1) The amount of any individual transaction.</li> <li>(2) The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;</li> <li>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property assets thereof within the same development project within the preceding year.</li> <li>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>“Within the previous year” as</p> |  |
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| <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.</p> <p>Date of event: Refers to the transaction contract signing date, payment date, commission Closing Date, transfer date, the Board resolutions date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>3. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in accordance with the prescribed format before the 10<sup>th</sup> day of each month.</p> <p>4~6 (omitted)</p> | <p>claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.</p> <p>Date of event: <u>in principle</u> refers to the transaction contract signing date, payment date, commission Closing Date, transfer date, the Board resolutions date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>3. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in accordance with the prescribed format before the 10<sup>th</sup> day of each month.</p> <p>4~6 (omitted)</p> |  |
| <p>Article 14: Other matters</p> <p>I. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary. The paid-in capital or</p>  | <p>Article 14: Other matters</p> <p>1. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary. A subsidiary’s</p>   | <p>1. The reporting criteria of subsidiaries shall be consistent with that of the parent company. Paragraph 1 was thus amended</p> |

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| <p>total asset of this Company shall apply to subsidiaries in the <u>preceding paragraph</u> required to report acquisition or disposal of assets based on the paid-in capital or total asset <u>under paragraph 1 of Article 13.</u></p> <p>2. The company’s subsidiaries, when acquiring or disposing assets, shall formulate an “Asset Acquisition or Disposal Processing Procedure” as regulated, which upon motioning by management board is distributed to various auditors and also declared before the shareholders’ meeting seeking for consent, and the same also applies to all subsequent amendments.</p> <p>The company shall monitor the status of its subsidiaries acquiring or disposing assets, where the supervision or management shall be sought in accordance with relevant company regulations and various subsidiaries’ “Asset Acquisition or Disposal Processing Procedure.”</p> <p>3. If relevant personnel breach the processing procedure and its relevant legal/regulatory stipulations, the company may, depending on the severity, issue a reprimand, demerit, demotion, position suspension, pay reduction or other penalty action, and also utilize it as part of the internal review matters.</p> <p>4. The portion of unspecified matters in the procedure shall be sought in accordance with the relevant legal/regulatory stipulations and relevant company chapters and regulations. If the competent authority has amended the original issuing letter for the acquisition or disposal of asset handling guidelines, the company shall comply with the provisions of its new letter.</p> | <p>mandated announcement declaration standard, when reaching <u>twenty</u> percent of the company’s paid-in capitalization or <u>ten</u> percent of its total assets, is to heed to the company’s paid-in capital amount or total assets.</p> <p>2. The company’s subsidiaries, when acquiring or disposing assets, shall formulate an “Asset Acquisition or Disposal Processing Procedure” as regulated, which upon motioning by management board is distributed to various auditors and also declared before the shareholders’ meeting seeking for consent, and the same also applies to all subsequent amendments.</p> <p>The company shall monitor the status of its subsidiaries acquiring or disposing assets, where the supervision or management shall be sought in accordance with relevant company regulations and various subsidiaries’ “Asset Acquisition or Disposal Processing Procedure.”</p> <p>3. If relevant personnel breach the processing procedure and its relevant legal/regulatory stipulations, the company may, depending on the severity, issue a reprimand, demerit, demotion, position suspension, pay reduction or other penalty action, and also utilize it as part of the internal review matters.</p> <p>4. The portion of unspecified matters in the procedure shall be sought in accordance with the relevant legal/regulatory stipulations and relevant company chapters and regulations. If the competent authority has amended the original issuing letter for the acquisition or disposal of asset handling guidelines, the company shall comply with the provisions of its new letter.</p> | <p>accordingly for subsidiaries to use the same set of criteria.</p> <p>2. Newly appending clear definition that when the company shares bear no paragraph value or if each share’s paragraph value is other than ten NTD, the calculation method governing when the paid-in capital amount reaches the billion NTD.</p> <p>3. In accordance with “Regulations Governing the Acquisition or Disposition of Assets by Public Companies,” relevant text has been fittingly amended.</p> |
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| <p>5. The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”</p> <p>6. When the shares of this Company have no par value or the par value is other than NT\$10 per share, the transaction restriction at twenty percent (20%) of the Company’s paid-in capital in these Procedure shall be calculated at ten percent (10%) of the equity attributed to owners of the parent company. <u>The transaction restriction for a paid-in capital at NT\$10 billion in these Procedures shall be calculated at NT\$20 billion of the parent company.</u></p> <p>7. The procedure shall undergo the consent of over one-half of the entire audit committee members, and also declared for motioning by management board, and declared for consent before the shareholders’ meeting before it is implemented, and the same also applies to all subsequent amendments.</p> <p>8. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The processing procedure Article 7 paragraph II, Article 9 paragraph II, Article 10, Article 12 paragraph I may be commensurate.</p> <p>9. The terms "all audit committee members" in paragraph 7 and "all directors" in the preceding paragraph shall be counted as the</p> | <p>5. The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”</p> <p>6. If the Company has issued shares without face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital, as specified in the procedures, shall be calculated instead at 10% of equity attributable to parent company shareholders.</p> <p>7. The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also declared with the management board for resolution voting, before declaring at the shareholders’ meeting it must seek for its consent before it is implemented, <u>and if any director expresses a dissenting opinion and which has also been documented or is in a written statement, the company shall combine the contest data and forward it to the audit committee and declare it for discussion before the shareholders’ meeting,</u> and the same also applies to all subsequent amendments. <u>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.</u></p> <p>8. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented</p> |  |
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| <p>actual number of persons currently holding those positions.</p> | <p>if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The processing procedure Article 7 paragraph II, Article 9 paragraph II, Article 10, Article 12 paragraph I may be commensurate.</p> <p>9. The terms "all audit committee members" in paragraph 7 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> |  |
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Resolution:

Case 2: (Proposed by the Board of Directors)

Subject: Partial amendments to the “Regulations and procedures for engaging in derivatives trading”.

Description: 1. In accordance with the November 26, 2018 SFC Securities Issuance No. 1070341072 directive, partial provisions of the “Regulations Governing the Acquisition or Disposition of Assets by Public Companies, with plans to amend relevant provisions of the company’s “Derivative Product Transaction Processing Procedure.”  
2. The provisions before and after amendment are as presented below.

| After amendment   | Current existing clauses   | Description  |
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| <p>Article 2: Applicable Scope</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u></p> <p>2. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> | <p>Article 2: Applicable Scope</p> <p>1. Derivatives defined in the Procedures refer to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits.</p> <p>2. The forwards referred above do not contain insurance, performance, post-sale service, long-term lease and long-term sales/procurement contracts.</p>   | <p>In accordance with the “Regulations Governing the Acquisition or Disposition of Assets by Public Companies,” coordinating the International Financial Reporting number nine financial instrument definition, the processing procedure’s derivative product scope has been amended, together with the text amendment fittingly made.</p> |
| <p>Article 7: Internal Control System</p> <p>1. Risk management measures ... (omitted)</p> <p>2. Internal control ..... (omitted)</p> <p>3. Periodical evaluation principle<br/>The holding exposure of the derivative product transaction shall principally be evaluated per the market price, derivative product risk hedging-based transaction sought In support of operating needs shall be evaluated twice per month, and others are evaluated once per week and the evaluation report shall be forwarded to the executive personnel authorized</p>  | <p>Article 7: Internal Control System</p> <p>1. Risk management measures ... (omitted)</p> <p>2. Internal control ..... (omitted)</p> <p>3. Periodical evaluation principle<br/>The holding exposure on the derivative product transaction shall principally be evaluated by market value, and derivative products sought for business needs in hedging trading shall be evaluated twice every month and the others are evaluated once weekly, and the evaluation report shall be submitted to the executive management personnel as authorized by the</p> | <p>In accordance with “Regulations Governing the Acquisition or Disposition of Assets by Public Companies,” the text has been fittingly amended.</p>   |



| After amendment   | Current existing clauses   | Description  |
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| <p>by the management board.<br/>4. The supervision and management principles of the Board of Directors regarding derivatives trading (omit)</p>   | <p>management board.<br/>4. The supervision and management principles of the Board of Directors regarding derivatives trading (omit)</p>   |  |
| <p>Article 11:<br/>The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also be declared with the management board for resolution voting, prior to declaring before the shareholders' meeting seeking for consent before it is implemented, and the same also applies to subsequent amendments.<br/>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.</p> | <p>Article 11:<br/>The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also declared with management board for resolution voting, before declaring before the shareholders' meeting seeking for consent before it is implemented, <u>and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contested data and forward them to the audit committee and declare it for discussion before the shareholders' meeting,</u> and the same also applies to all subsequent amendments. <u>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.</u><br/>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.</p> | <p>In accordance with "Regulations Governing the Acquisition or Disposition of Assets by Public Companies," the text has been fittingly amended.</p> |

Resolution:

No. 3: (Proposed by the Board)

Subject: Partial amendments to the “Operational Procedures for Loaning Funds to Others”.

Description: 1. In accordance with the March 7, 2019 SFC Securities Review No. 1080304826 directive, partial provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” have been amended, with plans to amend the relevant provisions of the company’s “Capital Lending to Others Operating Procedure.”  
 2. The provisions before and after amendment are as presented below.

| After amendment  | Current existing clauses   | Description   |
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| <p>Article 4: Total and Individual Loan Limits:<br/>                     The total sum of the company’s capital lending to others may not exceed five percent of the net valuation of the most recent period’s CPA-audited or -reviewed financial statements. The limits for each borrower are set as follows according to their loans and reasons:</p> <ol style="list-style-type: none"> <li>1. Companies or businesses with business transaction with the company whose individual lending amount may not exceed their most recent one year or the current year’s income goods or total goods sales amount with the company, whichever is the highest, at the time of capital lending.</li> <li>2. Companies or businesses deemed necessary with short-term financing capital whose individual lending amount may not exceed three percent of the net valuation of the company’s most recent period CPA-audited or -reviewed financial statements.</li> </ol> <p><u>The total capital lending amount the company engaging in capital lending to a foreign company where it holds one hundred percent of the voting right directly or indirectly, or a foreign company where the company holds one hundred percent voting rights directly or indirectly engaging in capital lending to the company may</u></p> | <p>Article 4: Total and Individual Loan Limits:<br/>                     The total sum of the company’s capital lending to others may not exceed five percent of the net valuation of the most recent period’s CPA-audited or -reviewed financial statements. The limits for each borrower are set as follows according to their loans and reasons:</p> <ol style="list-style-type: none"> <li>1. Companies or businesses with business transaction with the company whose individual lending amount may not exceed their most recent one year or the current year’s income goods or total goods sales amount with the company, whichever is the highest, at the time of capital lending.</li> <li>2. Companies or businesses deemed necessary with short-term financing capital whose individual lending amount may not exceed three percent of the net valuation of the company’s most recent period CPA-audited or -reviewed financial statements.</li> </ol> | <p>In accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the contents of the provision have been appended.</p> |

| After amendment   | Current existing clauses   | Description  |
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| <p><u>not exceed five percent of the net valuation of the company’s most recent period’s CPA-audited, -reviewed financial statements, and the individual subject’s limits are capped to three percent of the net valuation of the company’s most recent period’s CPA-audited, or -reviewed financial statements; the lending period is capped to ten years.</u></p>   |  |  |
| <p>Article 5: Operational Procedures for Loaning Funds</p> <ol style="list-style-type: none"> <li>1. Security check: ..... (omitted)</li> <li>2. Securitization: ..... (omitted)</li> <li>3. Scope of authorization:<br/>The company, for processing capital lending to others matter, is to undergo responsible company department’s credit check, present it to the president approved by <u>more than half of all audit committee members and then submitted</u> to the board of directors for a resolution. Capital lending between the company and its subsidiaries, or among the company subsidiaries shall have a resolution voted before the management board per the preceding stipulations, and may also authorize the chairman to allot the loan by increment or through revolving access on the subject lending subject per the management board-voted certain cap and within the duration not exceeding one year. Of a certain cap as referred to in the preceding paragraph, except when complying with Article 4 paragraph II stipulation, the company or its subsidiaries’ capital lending and the authorized line of credit extended to a single enterprise may not exceed ten percent of the company or its subsidiaries’ net valuation in the most recent financial statements.</li> </ol> | <p>Article 5: Operational Procedures for Loaning Funds</p> <ol style="list-style-type: none"> <li>1. Security check: ..... (omitted)</li> <li>2. Securitization: ..... (omitted)</li> <li>3. Scope of authorization:<br/>The company, for processing capital lending to others matter, is to undergo responsible company department’s credit check, present it to the president for approval and also submit it management board for resolution voting before it is processed, and which may not be authorized to other individuals for making the decision. <u>The company, when having installed independent directors, shall also fully take into consideration the various independent directors’ opinions, by enlisting whose consent or opposition clear-cut opinions and reason for opposition into the board meeting minutes.</u> Capital lending between the company and its subsidiaries, or among the company subsidiaries shall have a resolution voted before the management board per the preceding stipulations, and may also authorize the chairman to allot the loan by increment or through revolving access on the subject lending subject per the management board-voted certain cap and within the duration not exceeding one year. The term a certain line of credit referred to in the preceding</li> </ol> | <p>In accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the text has been fittingly amended.</p> |

| After amendment   | Current existing clauses   | Description  |
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|   | <p>section is not only to comply with Article 4 paragraph II stipulations, where the authorized line of credit the company or <u>its</u> subsidiaries extend to a single enterprise in capital lending may not exceed ten percent of the net valuation or the company or a subsidiary's most recent period's financial statements.</p>   |  |
| <p>Article 6: Loan Tenor and Interest Accrual<br/>The loan period and time limit for each fund shall be limited to one year or one business cycle (whichever is longer) from the date of the loan.<br/>The lending interest rate shall not be lower than the Company's short-term borrowing rate quoted by the financial institution of the highest rate. The company's loan interest calculation/collection principally has the interest remitted once every month, and in the wake of extraordinary circumstances, a proposal <u>may be declared with the audit committee for the consent of over one-half of the entire members</u>, before declaring it before the management board for consent or for adjustment to be made depending on the actual circumstances.</p> | <p>Article 6: Loan Tenor and Interest Accrual<br/>The loan period and time limit for each fund shall be limited to one year or one business cycle (whichever is longer) from the date of the loan.<br/>The lending interest rate shall not be lower than the Company's short-term borrowing rate quoted by the financial institution of the highest rate. Loan interest shall be paid once a month; in special circumstances, however, interest payment interval can be adjusted as needed with the approval of the Board of Directors.</p>  | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," the text has been fittingly amended.</p> |
| <p>Article 8: Internal control:<br/>The Company shall maintain a registry of all loans granted. This registry will contain details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under this policy.<br/>The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at</p>  | <p>Article 8: Internal control:<br/>The Company shall maintain a registry of all loans granted. This registry will contain details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under this policy.<br/>The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at</p> | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," the text has been fittingly amended.</p> |

| After amendment   | Current existing clauses  | Description   |
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| <p>once. Shall penalize the manager and spearheading personnel depending on the circumstance of violation.</p> <p>The company, in response to the circumstance changes resulting in the subject no longer complying with <u>the operating procedure's</u> stipulations or if the balance exceeds the limit, it shall formulate an improvement plan, forward relevant improvement plan to the audit committee, and also complete the improvement plan per the schedule, by which to strengthen the company's internal control.</p>   | <p>once. Shall penalize the manager and spearheading personnel depending on the circumstance of violation.</p> <p>The company, in response to circumstance change resulting in the subject no longer complying with the <u>"Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"</u> stipulations or if the balance exceeds the limit, shall formulate an improvement plan, forward the relevant improvement plan to the audit committee, and also complete the improvement per the planned schedule, by which to strengthen the company's internal control.</p>   |   |
| <p>Article 9: Information disclosure</p> <ol style="list-style-type: none"> <li>1. The company shall, prior to the tenth of each month ..... (omitted)</li> <li>2. The company's capital lending and the balance reaching the standards below ..... (omitted)</li> <li>3. The company's subsidiaries, if not falling within the domestic public listed companies ... (omitted)</li> <li>4. The company shall evaluate its capital lending status ..... (omitted)</li> </ol> <p>"Date of occurrence" means the date of contract signing, date of payment, dates of boards of director resolutions, or other date that can confirm the loaning of funds counterparty and monetary amount of the transaction, whichever date is earlier.</p> | <p>Article 9: Information disclosure</p> <ol style="list-style-type: none"> <li>1. The company shall, prior to the tenth of each month ..... (omitted)</li> <li>2. The company's capital lending and the balance reaching the standards below ..... (omitted)</li> <li>3. The company's subsidiaries, if not falling within the domestic public listed companies ... (omitted)</li> <li>4. The company shall evaluate its capital lending status ..... (omitted)</li> </ol> <p>The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.</p> | <p>In accordance with the "Criteria for Capital Lending and Endorsement Guarantee Processing by Public-listed Companies," relevant text has been amended.</p> |
| <p>Article 11:<br/>The procedure shall undergo the consent by over one-half of the entire members of the audit committee and also be submitted to the management board for</p>  | <p>Article 11:<br/>The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also submitted to the management board for</p>  | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guar</p>   |

| After amendment   | Current existing clauses  | Description  |
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| <p>resolution voting, prior to declaring by the shareholders' meeting seeking for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contest <u>data</u> and forward to the audit committee and declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments.</p> <p>If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. <u>The operating procedure Article 5 paragraph 3 and Article 6 paragraph II may commensurate.</u></p> <p>The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</p> | <p>resolution voting, before presenting it before the shareholders' meeting seeking for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contested <u>data</u> and <u>forward</u> to the audit committee and declare it for discussion before the shareholders' meeting and the same also applies to all subsequent amendments.</p> <p>If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</p> <p><u>If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.</u></p> | <p>antees by Public Companies," the text has been fittingly amended.</p> |

Resolution:

No. 4: (Proposed by the Board)

Subject: Partial amendments to the “Procedures for Endorsing as a Guarantor”.

- Description: 1. In accordance with the March 7, 2019 SFC Securities Review No. 1080304826 directive, partial provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” have been amended, with plans to amend the relevant provisions of the company’s “Procedures for Endorsing as a Guarantor”
2. The provisions before and after amendment are as presented below.

| After amendment  | Current existing clauses   | Description  |
|--|--|--|
| <p>4. Endorsement guarantee amount<br/>The total amount of the company’s external endorsement guarantee is capped to not more than 45% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements. The total amount of the overall endorsement guarantee the company and its subsidiaries may provide is capped to not more than 45% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements.</p> | <p>4. Endorsement guarantee amount<br/>The total amount of the company’s external endorsement guarantee is capped to not more than 45% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements. The total amount of the overall endorsement guarantee the company and its subsidiaries may provide is capped to not more than 45% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements. <u>The total sum of endorsement guarantees that the company and its subsidiaries may define, when exceeding fifty percent or more of the company’s net valuation in its most recent period’s CPA-audited, -authenticated, or -reviewed financial statements, shall also explain the necessity and rationality before the shareholders’ meeting.</u></p> | <p>In accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the text has been fittingly amended.</p> |

| After amendment   | Current existing clauses  | Description  |
|---|---|--|
| <p>5. Level of decision and authorization</p> <p>(1) The company, when processing an endorsement guarantee, shall adhere to the operating procedure VI stipulated procedure for signature approval, and also present it to the audit committee for the consent by over one-half of the entire members, before it is presented to the management board for resolution voting before the guarantee is processed. However, in support of timely needs, without breaching the operating procedure IV, the management board authorizes the chairman to rule first within the external guarantee cap, and to retro-actively present it before the most recent period's audit committee meeting seeking the consent retroactively by over one-half of the entire members, before it is presented to the most recent board meeting for retroactive recognition, complete with relevant matters on the state of implementation declared before the shareholders' meeting pending verification.</p> <p>(2) The company, when processing endorsement guarantee in support of operating needs, where it should exceed the cap set by the operating procedure IV and also complies with conditions set by the endorsement guarantee operating procedure, shall first declare it with audit</p> | <p>5. Level of decision and authorization</p> <p>(1) The company, when processing an endorsement guarantee, shall adhere to guideline VI specified procedure for signature approval, and also subject to the management board's resolution voting before it may be processed. However, in support of timely needs, without breaching the operating procedure IV, the management board authorizes the chairman to rule first within the external guarantee cap, and to retro-actively present it before the most recent period's audit committee meeting seeking its consent retro-actively by over one-half of the entire members, before it is presented to the most recent board meeting for retro-active recognition, complete with the relevant matters on the state of implementation declared before the shareholders' meeting pending verification.</p> <p>(2) The company, if in need of exceeding the guideline IV specified endorsement guarantee cap for operating needs when processing an endorsement guarantee, shall seek the audit committee's consent before presenting the proposal for voting by the management board and also have over one-half of the directors issue a joint guarantee on the probable loss likely to occur due to the over the limit before the guarantee</p> | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," the text has been fittingly amended.</p> |



| After amendment   | Current existing clauses  | Description   |
|---|---|---|
| <p>committee for the consent by over one-half of the entire members, before submitting it for the management board' consent and also have over one-half of the directors issue a joint guarantee on the probably loss likely to incur due to over the limit, also complete with amending the operating procedure, and present it for retro-active recognition before the shareholders' meeting; if the shareholders' meeting disagrees, a plan shall be formulated to offset the over the limit portion within a certain period.</p> <p>(3) The company, prior to rendering endorsement guarantee to a subsidiary it holds the voting right reaching ninety percent or higher directly or indirectly per the operating procedure III paragraph II stipulation, shall first declare it with the audit committee for the consent by over one-half of the entire members, before submitting it with the company management board in resolution voting before the endorsement guarantee may be processed. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.</p> | <p>may be processed, and the operating procedure shall also be amended, declare before the shareholders' meeting for retro-active recognition, and if the shareholders' meeting disagrees, a plan shall be formulated to offset the over the limit portion within a certain period.</p> <p>(3) The company, prior to rendering endorsement guarantee to a subsidiary it holds the voting right reaching ninety percent or more directly or indirectly per the guideline III, paragraph II stipulations, shall also submit it to the company management board for resolution voting before the endorsement guarantee may be processed. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.</p> <p><u>The company, at the time of rendering endorsement guarantee for other individuals, while having set up independent directors, shall take into account various independent directors' opinions, and also enlist their clear-cut opinion as to their consent or opposition and their reason of opposing to the board meeting minutes.</u></p> |   |
| <p>6. Endorsement guarantee processing procedure</p> <p>(1) When processing an endorsement guarantee, the finance unit shall adhere to the endorsement guarantee subject's application by reviewing its qualification item by item, and if the line</p>   | <p>6. Endorsement guarantee processing procedure</p> <p>(1) When processing an endorsement guarantee, the finance unit shall adhere to the endorsement guarantee subject's application by reviewing its qualification item by item, and if the line</p>   | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," the relevant text has</p> |

| After amendment   | Current existing clauses   | Description  |
|---|--|--|
| <p>of credit meets the operating procedure's stipulations and whether or not it reaches the announcement declaration criteria threshold, and shall also analyze the endorsement guarantee subject's operations, finances and credit standing and the like, through which to evaluate the endorsement guarantee risks and document the date, together with obtaining collateral where deemed necessary. A report clearly describing relevant endorsement guarantee content, reason and risk assessment findings is signed and presented to the chairman for approval <u>and also submitted to the audit committee for the consent of over one-half of the entire members,</u> before declaring it with management board for discussion and consent before it proceeds; if it still falls within the specified line of credit, then the chairman is to proceed to approve per the endorsement guarantee subject's credit standing level and financial status, and <u>retro-actively declare with the most recent period's audit committee meeting seeking for a post-humous consent by over one-half of the entire membership,</u> before it is declared before the most recent period's board meeting seeking for a post-humous recognition.</p> <p>(2) The finance unit shall install a validation log on endorsement guarantee matters. After the endorsement is guaranteed by the board of directors or</p> | <p>of credit meets the operating procedure's stipulations and whether or not it reaches the announcement declaration criteria threshold, and shall also analyze the endorsement guarantee subject's operations, finances and credit standing and the like, through which to evaluate the endorsement guarantee risks and document the date, together with obtaining collateral where deemed necessary. A report clearly describing relevant endorsement guarantee content, reason and risk assessment findings is signed and presented to the chairman for approval and also declared with audit committee for the consent of over one-half of the entire members, before submitting it to the management board for discussion and consent before it proceeds; if it still falls within the specified line of credit, then the chairman is to proceed to approve it per the endorsement guarantee subject's credit standing level and financial status, and retro-actively declare with the most recent period's audit committee meeting seeking for a posthumous recognition.</p> <p>(2) The finance unit shall install a validation log on endorsement guarantee matters. After the endorsement is guaranteed by the board of directors or by the chairman of the board of directors, in addition to applying for the seal in accordance with the prescribed procedures, the promised guarantee, the</p> | <p>been fittingly amended and clearly define the subsequent pertinent control measures if an endorsement guarantee subject is of a subsidiary whose net valuation falls below one-half of its paid-in capitalization amount.</p> |

| After amendment  | Current existing clauses   | Description |
|--|--|-------------|
| <p>by the chairman of the board of directors, in addition to applying for the seal in accordance with the prescribed procedures, the promised guarantee, the name of the guaranteed company, the risk assessment result, the endorsement guarantee amount, the board of directors or the chairman's decision date, The date of the endorsement, the content of the collateral and the conditions and date for the release of the guaranty responsibility are detailed for the time being, and the relevant documents, appointments and other documents should also be photocopied.</p> <p>(3) The finance unit shall compile a detailed schedule monthly report on canceled guarantee matters that have occurred, to facilitate control follow-up and processing of the announcement declaration, and shall also evaluate and classify whether or not any loss arising from a quarterly endorsement guarantee and also disclose the endorsement guarantee information in the financial statements and supply relevant information to the auditing CPA.</p> <p>(4) If the endorsement guarantee subject initially complies with the <u>operating procedure</u> III stipulations but later does not comply, or if the endorsement guarantee amount exceeds the defined cap due to a change to the basis for calculating the limit, or if whose net</p> | <p>name of the guaranteed company, the risk assessment result, the endorsement guarantee amount, the board of directors or the chairman's decision date, The date of the endorsement, the content of the collateral and the conditions and date for the release of the guaranty responsibility are detailed for the time being, and the relevant documents, appointments and other documents should also be photocopied.</p> <p>(3) The finance unit shall compile a detailed schedule monthly report on canceled guarantee matters that have occurred, to facilitate control follow-up and processing of the announcement declaration, and shall also evaluate and classify whether or not any loss arising from a quarterly endorsement guarantee and also disclose the endorsement guarantee information in the financial statements and supply relevant information to the auditing CPA.</p> <p>(4) If the endorsement guarantee subject initially complies with the operating procedure III stipulations but later does not comply, or if the endorsement guarantee amount exceeds the defined cap due to a change in the basis for calculating the limit, or if whose net valuation in its most recent period's financial statement falls below one-half of its paid-in capitalization amount, the endorsement guarantee amount extended</p> |             |

| After amendment   | Current existing clauses   | Description |
|---|--|-------------|
| <p>valuation in its most recent period's financial statement falls below one-half of its paid-in capitalization amount, the endorsement guarantee amount extended to said subject or the over the limit portion shall be canceled at the expiry of the defined period, or have the finance unit formulate a plan, subject to the chairman's approval, to have the entire limit canceled within a certain time period, and a relevant improvement plan is also to be forwarded to the audit committee, with improvement also to be completed per the scheduled plan.</p> <p>If an endorsement guarantee subject is of a subsidiary with its net valuation lower than one-half of its paid-in capitalization, it <u>shall regularly monitor said subsidiary's finances, operations and relevant credit standing, and in the wake of any adverse changes, shall terminate the endorsement guarantee or seek adequate disposition.</u> If a subsidiary's stocks have no paragraph value or the paragraph value per share is other than ten NTD, the paid-in capitalization amount as calculated per the preceding section paragraph IV stipulations shall heed to the sum of the capitalization plus the capital reserve – issuing premium.</p> <p>(5) Before the endorsement guarantee date expires, the finance unit shall voluntarily notify the guaranteed enterprise to recall the guarantee check retained at</p> | <p>to said subject or the over the limit portion shall be canceled at the expiry of the defined period, or have the finance unit formulate a plan, subject to the chairman's approval, to have the entire limit canceled within a certain time period, and a relevant improvement plan is also to be forwarded to the audit committee, with improvements also to be completed per the scheduled plan.</p> <p>If an endorsement guarantee subject is one of of the subsidiaries with whose net valuation is lower than one-half of its paid-in capitalization, where the subsidiary's stocks have no paragraph value or the paragraph value per share is other than ten NTD, the paid-in capitalization amount as calculated per the <u>preceding section paragraph IV stipulations</u> shall heed to the sum of the capitalization plus the capital reserve – issuing premium.</p> <p>(5) Before the endorsement guarantee date expires, the finance unit shall voluntarily notify the guaranteed enterprise to recall the guarantee check retained at the bank or the debt claim institution, and also cancel any endorsement guarantee-related contract.</p> |             |

| After amendment   | Current existing clauses  | Description   |
|---|---|---|
| <p>the bank or the debt claim institution, and also cancel any endorsement guarantee-related contract.</p>  |   |   |
| <p>9. Reporting procedures</p> <p>(1) Prior to the tenth of every month, the finance unit shall upload the company and its subsidiaries' previous month's endorsement guarantee balance, along with the revenue amount, onto the SFC-specified information declaration website by month, within the specified deadline.</p> <p>(2) Besides the announcement declaration on the endorsement guarantee balance by month, if the company and its subsidiaries' endorsement guarantee amount processed reaches one of the standards below, the finance unit shall promptly file for the announcement declaration, within two days from the date in which the facts occurred.</p> <p>1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements/guarantees by the company and its subsidiaries for a single</p> | <p>9. Reporting procedures</p> <p>(1) Prior to the tenth of every month, the finance unit shall upload the company and its subsidiaries' previous month's endorsement guarantee balance, along with the revenue amount, onto the SFC-specified information declaration website by month, within the specified deadline.</p> <p>(2) Besides the announcement declaration on the endorsement guarantee balance by month, if the company and its subsidiaries' endorsement guarantee amount processed reaches one of the standards below, the finance unit shall promptly file for the announcement declaration, within two days from the date in which the facts occurred.</p> <p>1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements/guarantees by the company and its subsidiaries for a single</p> | <p>In accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," relevant text has been fittingly amended.</p> |

| After amendment  | Current existing clauses   | Description   |
|--|--|---|
| <p>enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>book value of investment accounted for using equity method</u>, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>If a company subsidiary does not belong to a domestic publicly-listed company, where said subsidiary shall file for announcement declaration matter per the preceding paragraph IV, the company shall do so.</p> <p>“Date of occurrence” means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the endorsements/guarantees counterparty and monetary amount of the transaction, whichever date is earlier.</p> | <p>enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>If a company subsidiary does not belong to a domestic publicly-listed company, where said subsidiary shall file for announcement declaration matter per the preceding paragraph IV, the company shall do so.</p> <p>The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.</p> |   |
| <p>10. Other matters</p> <p>(1) The company’s subsidiaries, when planning to endorse for others or render a guarantee, shall have it processed per said company’s Endorsement Guarantee Operating Procedure.</p>   | <p>10. Other matters</p> <p>(1) The company’s subsidiaries, when planning to endorse for others or render a guarantee, shall have it processed per said company’s Endorsement Guarantee Operating Procedure.</p>   | <p>In accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the relevant text has</p> |

| After amendment   | Current existing clauses   | Description   |
|---|--|---|
| <p>A subsidiary shall also declare the processed capital lending amount, subject, period and the like to the company prior to the fifth of every month, provided that if it has not reached Article 9 paragraph 2-defined standards, it shall promptly notify the company, to facilitate filing for the announcement declaration.</p> <p>(2) Matters not explicitly stated in the procedure shall be sought per the relevant laws and regulations and relevant company chapters and regulations.</p> <p>(3) The operating procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also declared with management board for resolution voting, before declaring before the shareholders' meeting seeking for consent before it is implemented, and if any director expressing contest and which has also been documented or in a written statement, the company shall combine the contest and declare for discussion before the shareholders' meeting, and the same also apply to all subsequent amendments. If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. <u>The operating procedure 5 paragraph 1,</u></p> | <p>A subsidiary shall also declare the processed capital lending amount, subject, period and the like to the company prior to the fifth of every month, provided that if it has not reached Article 9 paragraph II-defined standard, shall promptly notify the company, to facilitate filing for the announcement declaration.</p> <p>(2) <u>The company and its subsidiaries' endorsement guarantee processing status and relevant matters within every operating year shall be declared at the following year's shareholders' meeting pending verification.</u></p> <p>(3) The portion of unspecified matters in the procedure shall be sought in accordance with the relevant legal/regulatory stipulations and relevant company chapters and regulations.</p> <p>(4) The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also submitted to the management board for resolution voting, prior to declaring it before the shareholders' meeting seeking for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contested <u>data</u> and <u>forward to the audit committee and</u> declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments. If approval of more than half of all audit committee</p> | <p>been fittingly amended and the heading order adjusted.</p> |

| After amendment  | Current existing clauses   | Description |
|--|--|-------------|
| <p><u>paragraph 2, paragraph 3 and the operating procedure 6 paragraph 1 may be commensurate.</u></p> <p>The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</p> | <p>members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</p> <p><u>If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.</u></p> |             |

Resolution:



# Elections

Subject: The director (including the independent director) re-election proposal.

(Proposed by the Board)

- Description:
1. With company's twelfth term directors' tenure expiring on May 30, 2019, there are plans to vote on an across-board reelection at the current scheduled shareholders' meeting.
  2. In accordance with company articles of incorporation stipulations, 7 to 9 directors shall be elected (including the independent directors, which shall not fall below 3 persons), who are to serve a three-year tenure. The current election plans to elect 7 directors (including 3 independent directors) before the scheduled shareholders' meeting.
  3. The previous term directors' (including independent directors) tenure extends up to the completion of the current scheduled shareholder's meeting, and the incumbent directors' (including independent directors) tenure spans from the scheduled shareholders' meeting election date on May 31, 2019 to May 30, 2022, and who are to assume their positions following the reelection at the scheduled shareholders' meeting.
  4. The director (including the independent director) election adopts the candidate nomination system, and for the candidates' relevant data, please refer to Appendage V (Pages 79~85).
  5. Please vote on the election.

Election results:

## **Other Discussions**

Subject: Proposal for canceling the non-compete restriction for new directors and their representatives. (Proposed by the Board)

Explanation: 1. Pursuant to Article 209 of the Company Act “If a director is engaged in activities which are within the business scope of the company, either for his/her own sake or on behalf of others, the director should explain to the shareholders’ meeting the major contents of such activities and obtain approval accordingly.” 』

2. To reply on company directors’ experience and relevant experiences, there are plans to seek a consent before the shareholders’ meeting to lift the restrictions forbidding to compete within the industry on the newly elected directors and their representatives.

Resolution:

## **Extempore Motion**

## **Adjournment**

# Appendix

## Appendix I

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

#### Business Report

1. The 2018 Business Report:

(1) Implementation results of the business plan

The company's 2018 merged business revenue is at NT\$1,019,452 thousand down by 12.74% when compared with last year, the combined net sales gross profit is at 34%, which is primarily hindered by a drop on Everolimus shipping. On primary products' revenue analysis, high revenue growth products are biotech immune suppressants with a higher gross profit, *i.e.* Tacrolimus, Rapamycin, Mycophenolate, Mofetil; those with steady revenue include muscle relaxer Methocarbamol, triglyceride inhibitor EPAE, antifungal drug Caspofungin; those with revenue decline include hypolipidemic agent Pravastatin, but since its gross profit ratio is low, it has limited impact to profitability. Immune suppressant and cancer fighting drugs Everolimus with a higher gross profit ratio, as affected by the American customer's large amount purchase prior to its IPO, as affected by how the order has fallen on the second half of 2017, resulting in 2018's sales volume to be drastically reduced than the previous year, where the drastic volatile situation is expected to stabilize in the second half of 2019 once it undergoes the IPO.

Following intensified official factory audits in 2017 (the U.S.'s FDA, Japan's PMDA and Taiwan's TFDA), which produced excellent reports, it has once again successfully surpassed U.S. official FDA's GMP system factory audit held every four years in November 2018, as it continues to uphold the company's cGMP excellent factory audit records.

(2) Budget execution:

1. Consolidated budget execution:

Unit: NTD thousand; %

| Item                   | Annual budget | Actual amount | Achievement rate |
|------------------------|---------------|---------------|------------------|
| Operating revenues     | 1,245,047     | 1,019,452     | 81.88            |
| Operating cost         | 806,312       | 667,942       | 82.84            |
| Operating gross profit | 438,735       | 351,510       | 80.12            |
| Operating expenses     | 366,467       | 320,534       | 87.47            |
| Operating profit       | 72,268        | 30,976        | 42.86            |
| Net profit before tax  | 260,717       | 240,246       | 92.15            |

2. Individual budget execution:

Unit: NTD thousand; %

| Item  | Annual budget | Actual amount | Achievement rate |
|---|---------------|---------------|------------------|
| Operating revenues  | 1,238,070     | 994,632       | 80.34            |
| Operating cost  | 801,052       | 658,526       | 82.21            |
| Minus: Realized sales losses between affiliated companies | —             | 864           | —                |
| Operating gross profit                                    | 437,018       | 335,242       | 76.71            |
| Operating expenses  | 347,934       | 306,271       | 88.03            |
| Operating profit  | 89,084        | 28,971        | 32.52            |
| Net profit before tax                                     | 282,939       | 237,079       | 83.79            |

(3) Financial balance and profitability analysis:

1. Consolidated financial balance:

Unit: NTD thousand

| Item                       | Amount    |
|----------------------------|-----------|
| Operating revenues         | 1,019,452 |
| Operating gross profit     | 351,510   |
| Operating gains and losses | 30,976    |
| Interest income            | 247       |
| Interest expenses          | 10,870    |
| Capitalized interest       | —         |
| Net profit before tax      | 240,246   |
| After tax net profit       | 234,288   |
| Earnings per share         | NTD 3.02  |

2. Parent Company's financial balance:

Unit: NTD thousand

| Item                       | Amount   |
|----------------------------|----------|
| Operating revenues         | 994,632  |
| Operating gross profit     | 335,242  |
| Operating gains and losses | 28,971   |
| Interest income            | 234      |
| Interest expenses          | 10,870   |
| Capitalized interest       | —        |
| Net profit before tax      | 237,079  |
| After tax net profit       | 234,251  |
| Earnings per share         | NTD 3.02 |

3. Consolidated profitability analysis:

Unit: %

| Item   | Ratio    |
|--|----------|
| ROA  | 7.28     |
| Return on equity                               | 12.31    |
| Ratio of pre-tax net income to paid-in capital | 30.97    |
| Net profit margin                              | 22.98    |
| Earnings per share                             | NTD 3.02 |
| Earnings per share-retrospective adjustment    | NTD 3.02 |

4. Parent Company profitability analysis:

Unit: %

| Item   | Ratio    |
|--|----------|
| ROA  | 7.31     |
| Return on equity                               | 12.31    |
| Ratio of pre-tax net income to paid-in capital | 30.56    |
| Net profit margin                              | 23.55    |
| Earnings per share                             | NTD 3.02 |
| Earnings per share-retrospective adjustment    | NTD 3.02 |

(4) R&D progress:

1. Synthesis Research Institute:

- (1) Completing a new production process for Mycophenolate Mofetil, an immunosuppressive drug, which can effectively lower production costs and increase product competitiveness.
- (2) Developed Etelcalcetide API Etelcalcetide process.
- (3) Developed chronic, idiopathic constipation API Plecanatide process.
- (4) Developed osteoporosis API Abaloparatide process.
- (5) Developed rheumatoid arthritis API Baricitinib process.

2. Biotech Research Institute:

- (1) Completed immune suppressant API Rapamycin new process development and amplification, with purity able to reach 98% or higher, which can effectively reduce the cost by 30% or more.
- (2) Completed oral breast cancer API Ribociclib laboratory process amplification, with purity able to reach 99.5% or higher, its new crystallization type has been petitioned for patent in Taiwan and the U.S.
- (3) Completed multiple sclerosis API Ozanimod laboratory process development, with purity able to reach 99% or higher.

2. The Company's future development strategy:
- (1) To adjust the research & development strategies to continually boost the research & development momentum toward development into high pricing, high technical threshold, few competitors and high profitability, global requirement of mere tens to several hundred kilos of products, by which to excel the current site's productive yield and revenue return.
  - (2) To continue excelling the company's unique fermentation and chemical synthesis technology, to differentiate it from other peers that only hold chemical synthesis or fermentation technology product items, by which to excel competitiveness in Active Pharmaceutical Ingredient (API) market; also to strength the company's niche profit products, i.e. Everolimus, Mycophenolaet, Mofetil, Rapamycin, Tacrolimus, Caspofungin, and on process optimization, to increase the investment in increasing the productivity and lowering the cost, through which to excel the company's global market share on API products.
  - (3) To develop unique key technology for developing special products, i.e. cancer fighting, high potency and peptide-type API and related high gross profit products, through which to support developing new customers, excel product segregation's niche base and focus.
  - (4) To develop CDMO/CMO business, by rallying to participate in domestic, foreign major drug makers' new drug R&D plans, through which to enter into early stage joint R&D relation, such as pre-clinical and various clinical stages' intermediary, products' trial, manufacturing process development and related work, in anticipation to form a strategic alliance with major pharmaceutical plants, for joint growth.
  - (5) To ascertain legal compliance, by stepping up raw materials and raw material intermediary supply plants' plant audit, by which to ensure that the upstream supplying plants' legal compliance, the raw materials comply with various countries' pharmaceutical monitoring units' latest demands and also avoid a supply shortage, and also to ensure the company's product quality.
  - (6) To continue developing solvent recall technology amid environmental protection demands becoming ever stringent, by inducting various management systems and mechanism, voluntarily executing waste reduction, reduced discharge process, lowering the operating cost, and exerting the company's environmentally friendly social stewardship.

## Appendix II

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

### Audit Committees' Review Report

The Board of Directors will prepare and submit the Company's 2018 business report, financial report (including individual and consolidated financial statements) and proposal for earnings distribution. The financial reports (including individual 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 found no inconsistencies. Therefore, the audit committee has acted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and clarified as above.

Best regards

The 2019 Annual General Shareholders Meeting of Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committee Convener, Kuo-Chiang Wang

March 26, 2019

## Appendix III

### Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18004146

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, 2018 and 2017 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, 2018 and 2017, 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 2018 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 2018 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 (5) 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 CPAs have compiled the implemented response procedure on the foresaid key audit matters have described of the specific aspects 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.
3. To obtain the management have individually identified of overdue inventory details, to randomly review its relevant information and also validate the ledger entry records.

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

### Description of the matter

See Note 4 (29) in the consolidated financial report for the accounting policy on income recognition. As described in the accounting policy, sales revenue is recognized when the product is delivered to the customer, where the customer holds the judgment right on product sales distribution and pricing, and CCSB group also no further contractual obligations to be fulfilled that might hinder the customer from accepting said product. 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 CPAs have compiled the implemented response procedure on the foresaid key audit matters have described of the specific aspects 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 2018 and 2017 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 2018 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.

PricewaterhouseCoopers, Taiwan

March 26, 2019

Note to Readers

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and 2017

Unit: NTD thousand

| Assets                    | Additional notes  | December 31, 2018 |                     | December 31, 2017 |                     |            |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
|                           |   | Amount            | %                   | Amount            | %                   |            |
| <b>Current assets</b>     |   |                   |                     |                   |                     |            |
| 1100                      | Cash and cash equivalents   | 6 (1)             | \$ 106,367          | 4                 | \$ 155,995          | 5          |
| 1150                      | Notes receivable-net  | 6 (4) and 12 (4)  | 666                 | -                 | 1,787               | -          |
| 1170                      | Net accounts receivable   | 6 (4) and 12 (4)  | 105,404             | 3                 | 220,956             | 6          |
| 1180                      | Account receivables-Related Parties- net  | 7 and 12 (4)      | 26,449              | 1                 | 16,531              | -          |
| 1200                      | Other receivable  | 7                 | 5,447               | -                 | 27,425              | 1          |
| 1220                      | Current income tax assets   |                   | 2,076               | -                 | -                   | -          |
| 130X                      | Inventory   | 6 (5)             | 362,398             | 11                | 335,604             | 10         |
| 1410                      | Prepayments   |                   | 4,987               | -                 | 5,265               | -          |
| 1460                      | Available-for-sale financial assets—noncurrent                                      | 6 (9)             | -                   | -                 | 263,553             | 8          |
| 11XX                      | <b>Total of Current Assets</b>  |                   | <u>613,794</u>      | <u>19</u>         | <u>1,027,116</u>    | <u>30</u>  |
| <b>Non-Current assets</b> |   |                   |                     |                   |                     |            |
| 1510                      | Financial assets that are measured at fair value through profit or loss-non-current | 6 (2)             | 29,978              | 1                 | -                   | -          |
| 1523                      | Available-for-sale financial assets - non-current                                   | 12 (4)            | -                   | -                 | 93,775              | 3          |
| 1543                      | Financial assets carried at cost – non-current                                      | 12 (4)            | -                   | -                 | 30,000              | 1          |
| 1550                      | Investments accounted for by the equity method                                      | 6 (6)             | 325,381             | 10                | -                   | -          |
| 1600                      | property , plant, and equipment   | 6 (7) (10) and 8  | 2,195,594           | 68                | 2,242,930           | 65         |
| 1760                      | Real property for investment- net   | 6 (8)             | 10,700              | -                 | 10,700              | -          |
| 1780                      | Intangible assets   |                   | 2,193               | -                 | 3,185               | -          |
| 1840                      | Deferred income tax assets  | 6 (24)            | 20,511              | 1                 | 14,787              | -          |
| 1900                      | Other current non-assets  |                   | 23,267              | 1                 | 25,432              | 1          |
| 15XX                      | <b>Total of Non-Current Assets</b>  |                   | <u>2,607,624</u>    | <u>81</u>         | <u>2,420,809</u>    | <u>70</u>  |
| 1XXX                      | <b>Total assets</b>   |                   | <u>\$ 3,221,418</u> | <u>100</u>        | <u>\$ 3,447,925</u> | <u>100</u> |

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Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and 2017

Unit: NTD thousand

| Liabilities and equity   | Additional notes   | December 31, 2018 |                     | December 31, 2017 |                     |            |
|--|--|-------------------|---------------------|-------------------|---------------------|------------|
|  |  | Amount            | %                   | Amount            | %                   |            |
| <b>Current liabilities</b>   |  |                   |                     |                   |                     |            |
| 2100   | Shot-term borrowings   | 6 (11)            | \$ 150,000          | 5                 | \$ 242,376          | 7          |
| 2110   | Short-term bills payable   | 6 (12)            | 79,956              | 2                 | 249,902             | 7          |
| 2130   | Contract liabilities – liquid                                    | 6 (19)            | 1,579               | -                 | -                   | -          |
| 2150   | Payable notes  |                   | 1,192               | -                 | 345                 | -          |
| 2170   | Accounts payable   |                   | 60,595              | 2                 | 55,201              | 2          |
| 2200   | Other payable  | 6 (13)            | 118,636             | 4                 | 111,527             | 3          |
| 2230   | Current Income Tax Liability                                     |                   | 12,878              | -                 | 12,816              | -          |
| 2320   | Long-term liabilities due within one year or one operating cycle | 6 (14) and 8      | -                   | -                 | 130,000             | 4          |
| 2399   | Other current liabilities- other                                 |                   | 854                 | -                 | 6,141               | -          |
| 21XX   | <b>Total of current liabilities</b>                              |                   | <u>425,690</u>      | <u>13</u>         | <u>808,308</u>      | <u>23</u>  |
| <b>Non-current liabilities</b>   |  |                   |                     |                   |                     |            |
| 2540   | Long-term borrowings   | 6 (14) and 8      | 567,440             | 18                | 567,440             | 17         |
| 2570   | Deferred income tax liabilities                                  | 6 (24)            | 243,863             | 7                 | 250,380             | 7          |
| 2600   | Other non-current liabilities                                    |                   | 522                 | -                 | 576                 | -          |
| 25XX   | <b>Total of non-current liabilities</b>                          |                   | <u>811,825</u>      | <u>25</u>         | <u>818,396</u>      | <u>24</u>  |
| 2XXX   | <b>Total liabilities</b>   |                   | <u>1,237,515</u>    | <u>38</u>         | <u>1,626,704</u>    | <u>47</u>  |
| <b>Attributable to owners of the parent company</b>                                |  |                   |                     |                   |                     |            |
| <b>Share capital</b>   |  |                   |                     |                   |                     |            |
| 3110   | Ordinary shares capital  | 6 (16)            | 775,600             | 24                | 775,600             | 22         |
| <b>Capital reserve</b>   |  |                   |                     |                   |                     |            |
| 3200   | Capital reserve  | 6 (17)            | 334,323             | 11                | 334,323             | 10         |
| <b>Retained earnings</b>   |  |                   |                     |                   |                     |            |
| 3310   | Legal earnings reserve   | 6 (18)            | 135,919             | 4                 | 127,342             | 4          |
| 3320   | Special earnings reserve   |                   | 183,296             | 6                 | 183,296             | 5          |
| 3350   | Undistributed earnings   |                   | 553,954             | 17                | 410,290             | 12         |
| <b>Other equity</b>  |  |                   |                     |                   |                     |            |
| 3400   | Other equity   |                   | 565                 | -                 | (10,023)            | -          |
| 31XX   | <b>Equity attributable to owners of the parent Company</b>       |                   | <u>1,983,657</u>    | <u>62</u>         | <u>1,820,828</u>    | <u>53</u>  |
| 36XX   | <b>non-controlling interests</b>                                 | 4(3)              | 246                 | -                 | 393                 | -          |
| 3XXX   | <b>Total equity</b>  |                   | <u>1,983,903</u>    | <u>62</u>         | <u>1,821,221</u>    | <u>53</u>  |
| <b>Significant contingent liabilities and unrecognized contractual commitments</b> |  |                   |                     |                   |                     |            |
| <b>Major post-balance sheet events</b>   |  |                   |                     |                   |                     |            |
| 3X2X   | <b>Total liabilities and equity</b>                              |                   | <u>\$ 3,221,418</u> | <u>100</u>        | <u>\$ 3,447,925</u> | <u>100</u> |

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand  
(except EPS in NTD)

| Item   | Additional notes     | 2018              |              | 2017              |              |
|--|----------------------|-------------------|--------------|-------------------|--------------|
|  |                      | Amount            | %            | Amount            | %            |
| 4000 <b>Operating revenues</b>   | 6 (19), 7 and 12 (5) | \$ 1,019,452      | 100          | \$ 1,168,248      | 100          |
| 5000 <b>Operating cost</b>   | 6 (5) (23)           | ( 667,942)        | ( 66)        | ( 760,382)        | ( 65)        |
| 5900 <b>Operating gross profit</b>   |                      | <u>351,510</u>    | <u>34</u>    | <u>407,866</u>    | <u>35</u>    |
| <b>Operating expenses</b>  | 6 (23)               |                   |              |                   |              |
| 6100 Marketing expenses  |                      | ( 78,756)         | ( 7)         | ( 84,620)         | ( 7)         |
| 6200 Administrative expenses   |                      | ( 80,325)         | ( 8)         | ( 95,792)         | ( 8)         |
| 6300 Research and development expenses   |                      | ( 161,537)        | ( 16)        | ( 149,319)        | ( 13)        |
| 6450 Expectant credit loss/gains   | 12 (2)               | <u>84</u>         | <u>-</u>     | <u>-</u>          | <u>-</u>     |
| 6000 <b>Total operating expenses</b>   |                      | <u>( 320,534)</u> | <u>( 31)</u> | <u>( 329,731)</u> | <u>( 28)</u> |
| 6900 <b>Operating profit</b>   |                      | <u>30,976</u>     | <u>3</u>     | <u>78,135</u>     | <u>7</u>     |
| <b>Non-operating revenues and expenses</b>   |                      |                   |              |                   |              |
| 7010 Other revenue   | 6 (20)               | 14,522            | 2            | 13,478            | 1            |
| 7020 Other profits and losses  | 6 (21)               | 204,216           | 20           | 26,275            | 2            |
| 7050 Financial costs   | 6 (22)               | ( 10,870)         | ( 1)         | ( 8,351)          | -            |
| 7060 Shareholding in the affiliated companies and joint ventures under the equity method |                      | <u>1,402</u>      | <u>-</u>     | <u>-</u>          | <u>-</u>     |
| 7000 <b>Total non-operating revenues and expenses</b>                                    |                      | <u>209,270</u>    | <u>21</u>    | <u>31,402</u>     | <u>3</u>     |
| 7900 <b>Earnings before tax</b>  |                      | <u>240,246</u>    | <u>24</u>    | <u>109,537</u>    | <u>10</u>    |
| 7950 Income tax expense  | 6 (24)               | ( 5,958)          | ( 1)         | ( 23,646)         | ( 2)         |
| 8200 <b>Current period net profit</b>  |                      | <u>\$ 234,288</u> | <u>23</u>    | <u>\$ 85,891</u>  | <u>8</u>     |

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

Consolidated comprehensive income statements

January 1 to December 31, 2018 and 2017

Unit: NTD thousand  
(except EPS in NTD)

| Item   | Additional notes   | 2018   |            | 2017           |              |
|--|--|--------|------------|----------------|--------------|
|  |  | Amount | %          | Amount         | %            |
| <b>Other comprehensive income (net)</b>                                  |  |        |            |                |              |
| <b>Items not re-classified under profit or loss</b>                      |  |        |            |                |              |
| 8311   | Defined benefit plan revaluation amount and volume   | 6 (15) |            |                |              |
|  |  | (\$    | 2,494)     | -              | \$ 2,353     |
| 8316   | Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income   | 6(3)   |            |                |              |
|  |  | (      | 30,108)    | (              | 3)           |
| 8320   | The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss     |        |            |                |              |
|  |  | (      | 828)       | -              | -            |
| 8349   | Income tax related to accounts not being reclassified  | 6 (24) |            |                |              |
|  |  |        | 248        | -              | (            |
| 8310   | <b>Total amount of items not reclassified to profit or income</b>  |        | <u>(</u>   | <u>33,182)</u> | <u>(</u>     |
|  |  |        | <u>3)</u>  | <u>1,953</u>   | <u>-</u>     |
| <b>Items that may be re-classified subsequently under profit or loss</b> |  |        |            |                |              |
| 8361   | Exchange differences arising from translating the financial statements of foreign operations   |        |            |                |              |
|  |  |        | 383        | -              | (            |
| 8362   | Unrealized valuation gains and losses of available-for-sale financial assets   | 12 (4) |            |                |              |
|  |  |        | -          | -              | 2,263        |
| 8370   | The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss. |        |            |                |              |
|  |  |        | 214        | -              | -            |
| 8360   | <b>Total amount of items probably reclassified to profit or loss subsequently</b>  |        | <u>597</u> | -              | <u>990</u>   |
| 8300   | <b>Other comprehensive income (net)</b>  |        | <u>(\$</u> | <u>32,585)</u> | <u>(</u>     |
|  |  |        | <u>3)</u>  | <u>\$</u>      | <u>2,943</u> |
| 8500   | <b>Total comprehensive income for the period</b>   |        | <u>\$</u>  | <u>201,703</u> | <u>20</u>    |
|  |  |        | <u>\$</u>  | <u>88,834</u>  | <u>8</u>     |
| <b>Profit attributable to:</b>   |  |        |            |                |              |
| 8610   | Owners of parent   |        | <u>\$</u>  | <u>234,251</u> | <u>23</u>    |
|  |  |        | <u>\$</u>  | <u>85,766</u>  | <u>8</u>     |
| 8620   | non-controlling interests  |        | <u>\$</u>  | <u>37</u>      | <u>-</u>     |
|  |  |        | <u>\$</u>  | <u>125</u>     | <u>-</u>     |
| <b>Total comprehensive income attributable to:</b>                       |  |        |            |                |              |
| 8710   | Owners of parent   |        | <u>\$</u>  | <u>201,666</u> | <u>20</u>    |
|  |  |        | <u>\$</u>  | <u>88,735</u>  | <u>8</u>     |
| 8720   | non-controlling interests  |        | <u>\$</u>  | <u>37</u>      | <u>-</u>     |
|  |  |        | <u>\$</u>  | <u>99</u>      | <u>-</u>     |
| <b>Earnings per share</b>  |  |        |            |                |              |
| 9750   | <b>Base earnings per share</b>   | 6 (25) |            |                |              |
|  |  |        | <u>\$</u>  | <u>3.02</u>    | <u>\$</u>    |
|  |  |        | <u>\$</u>  | <u>1.11</u>    |              |
| 9850   | <b>Diluted earnings per share</b>  |        | <u>\$</u>  | <u>2.99</u>    | <u>\$</u>    |
|  |  |        | <u>\$</u>  | <u>1.10</u>    |              |

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.



Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated statement of changes in equity  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | Additional notes | Attributable to owners of the parent company |                  |        |                        |                          |                        |  |  | Total        | non-controlling interests | Total equity |  |
|--|------------------|--|------------------|--------|------------------------|--------------------------|------------------------|--|--|--------------|---------------------------|--------------|--|
|  |                  | Capital reserve                              |                  |        | Retained earnings      |                          |                        | Other equity   |  |              |                           |              |  |
|  |                  | Ordinary shares capital                      | Issuance premium | Others | Legal earnings reserve | Special earnings reserve | Undistributed earnings | Exchange differences arising from translating the financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss |              |                           |              | Unrealized gain or loss on available-for-sale financial assets |
| <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   |
| Current period net profit  |                  | -  | -                | -      | -                      | -                        | 85,766                 | -  | -  | -            | 85,766                    | 125          | 85,891   |
| Current other comprehensive income   |                  | -  | -                | -      | -                      | -                        | 1,953                  | ( 1,247 )  | -  | 2,263        | 2,969                     | ( 26 )       | 2,943  |
| Total comprehensive income for the period                                    |                  | -  | -                | -      | -                      | -                        | 87,719                 | ( 1,247 )  | -  | 2,263        | 88,735                    | 99           | 88,834   |
| The 2016 appropriation and distribution of earnings:                         | 6 (18)           |  |                  |        |                        |                          |                        |  |  |              |                           |              |  |
| Legal earnings reserve   |                  | -  | -                | -      | 6,028                  | -                        | ( 6,028 )              | -  | -  | -            | -                         | -            | -  |
| Cash dividend  |                  | -  | -                | -      | -                      | -                        | ( 38,780 )             | -  | -  | -            | ( 38,780 )                | -            | ( 38,780 )   |
| Balance at December 31, 2017   |                  | \$ 775,600                                   | \$ 333,746       | \$ 577 | \$ 127,342             | \$ 183,296               | \$ 410,290             | (\$ 373 )  | \$ -   | (\$ 9,650 )  | \$ 1,820,828              | \$ 393       | \$ 1,821,221   |
| <b>2018</b>  |                  |  |                  |        |                        |                          |                        |  |  |              |                           |              |  |
| Balance as of January 1, 2018  |                  | \$ 775,600                                   | \$ 333,746       | \$ 577 | \$ 127,342             | \$ 183,296               | \$ 410,290             | (\$ 373 )  | \$ -   | (\$ 9,650 )  | \$ 1,820,828              | \$ 393       | \$ 1,821,221   |
| Retroactively adjusted applicable impact factor                              | 12 (4)           | -  | -                | -      | -                      | -                        | ( 57 )                 | -  | ( 9,650 )  | 9,650        | ( 57 )                    | -            | ( 57 )   |
| Balance on January 1 2018 after adjustment                                   |                  | 775,600                                      | 333,746          | 577    | 127,342                | 183,296                  | 410,233                | ( 373 )  | ( 9,650 )  | -            | 1,820,771                 | 393          | 1,821,164  |
| Current period net profit  |                  | -  | -                | -      | -                      | -                        | 234,251                | -  | -  | -            | 234,251                   | 37           | 234,288  |
| Current other comprehensive income   |                  | -  | -                | -      | -                      | -                        | ( 3,415 )              | 597  | ( 29,767 )   | -            | ( 32,585 )                | -            | ( 32,585 )   |
| Total comprehensive income for the period                                    |                  | -  | -                | -      | -                      | -                        | 230,836                | 597  | ( 29,767 )   | -            | 201,666                   | 37           | 201,703  |
| The 2017 appropriation and distribution of earnings:                         | 6 (18)           |  |                  |        |                        |                          |                        |  |  |              |                           |              |  |
| Legal earnings reserve   |                  | -  | -                | -      | 8,577                  | -                        | ( 8,577 )              | -  | -  | -            | -                         | -            | -  |
| Cash dividend  |                  | -  | -                | -      | -                      | -                        | ( 38,780 )             | -  | -  | -            | ( 38,780 )                | -            | ( 38,780 )   |
| Equity instrument at fair value through other comprehensive income statement | 6(3)             | -  | -                | -      | -                      | -                        | ( 39,758 )             | -  | 39,758   | -            | -                         | -            | -  |
| Change in non-controlling interests  |                  | -  | -                | -      | -                      | -                        | -                      | -  | -  | -            | -                         | ( 184 )      | ( 184 )  |
| Balance at December 31, 2018   |                  | \$ 775,600                                   | \$ 333,746       | \$ 577 | \$ 135,919             | \$ 183,296               | \$ 553,954             | \$ 224   | \$ 341   | \$ -         | \$ 1,983,657              | \$ 246       | \$ 1,983,903   |

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | Additional notes | 2018        | 2017       |
|--|------------------|-------------|------------|
| <u>Cash flow from operating activities</u>   |                  |             |            |
| Pre-tax profit for the current period  |                  | \$ 240,246  | \$ 109,537 |
| Adjustments  |                  |             |            |
| Income, expense, and loss  |                  |             |            |
| Expectant credit loss/gains  | 12 (2)           | ( 84 )      | -          |
| Depreciation   | 6 (7) (23)       | 132,971     | 132,833    |
| Amortization   | 6 (23)           | 1,786       | 1,293      |
| Net loss on financial assets and liabilities at fair value through profit and loss | 6 (2) (21)       | 150         | -          |
| Impairment loss  | 6(10)(21)        | 9,841       | -          |
| Share of income from associates and joint ventures                                 |                  | ( 1,402 )   | -          |
| Interest expenses  | 6 (22)           | 10,870      | 8,351      |
| Interest income  | 6 (20)           | ( 247 )     | ( 227 )    |
| Dividend income  | 6 (20)           | ( 3,778 )   | ( 3,017 )  |
| Losses (gains) from disposal of property or equipment                              | 6 (7) (21)       | ( 214,600 ) | 146        |
| Disposition of gains and losses from financial assets evaluated at cost            | 6 (21)           | -           | ( 39,830 ) |
| Changes in assets/liabilities relating to operating activities                     |                  |             |            |
| Net changes in assets relating to operating activities                             |                  |             |            |
| Financial assets at fair value through profit or loss- current                     |                  | 211         | -          |
| Notes receivable-net   |                  | 1,114       | ( 1,166 )  |
| Net accounts receivable  |                  | 115,247     | ( 60,372 ) |
| Accounts receivable-related parties (net)  |                  | ( 9,918 )   | ( 3,976 )  |
| Other receivable   |                  | 306         | 921        |
| Inventory  |                  | ( 26,794 )  | 66,150     |
| Prepayments  |                  | 278         | ( 1,733 )  |
| Net defined benefit assets   |                  | ( 1,527 )   | ( 9,517 )  |
| Net changes in liabilities relating to operating activities                        |                  |             |            |
| Contract liabilities – liquid  |                  | 13          | -          |
| Payable notes  |                  | 847         | -          |
| Accounts payable   |                  | 5,394       | ( 15,475 ) |
| Other payable  |                  | 4,670       | ( 1,903 )  |
| Other current liabilities-others   |                  | ( 3,721 )   | 2,752      |
| Net cash provided by operating activities  |                  | 261,873     | 184,767    |
| Interest received  |                  | 235         | 207        |
| Dividends received   | 6 (20)           | 3,778       | 3,017      |
| Interest paid  |                  | ( 10,987 )  | ( 7,797 )  |
| Income tax paid  |                  | ( 20,235 )  | ( 20,855 ) |
| Net cash inflow from operating activities  |                  | 234,664     | 159,339    |

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | <u>Additional notes</u> | <u>2</u> | <u>0</u> | <u>1</u>          | <u>8</u> | <u>2</u> | <u>0</u> | <u>1</u>       | <u>7</u> |
|--|-------------------------|----------|----------|-------------------|----------|----------|----------|----------------|----------|
| <u>Cash flow from investing activities</u>   |                         |          |          |                   |          |          |          |                |          |
| Acquisition of financial assets at fair value through other comprehensive profit or loss |                         | (\$      |          | 200,161           | )        | \$       |          | -              |          |
| Disposition of financial assets evaluated at cost  | 6 (27)                  |          |          | 21,684            |          |          |          | 21,684         |          |
| Acquisition of investment under the equity method  | 6 (6)                   |          |          | ( 60,764          | )        |          |          | -              |          |
| Costs of property, plant and equipment acquired  | 6 (27)                  |          |          | ( 92,933          | )        | (        |          | 803,183        | )        |
| Proceeds from disposal of property, plant and equipment                                  | 6 (7)                   |          |          | 478,180           |          |          |          | 1,095          |          |
| Acquisition of Intangible assets   |                         |          |          | ( 794             | )        | (        |          | 2,617          | )        |
| Decrease (increase) in deposits paid   |                         |          |          | 1,200             |          | (        |          | 3,118          | )        |
| Net cash inflow (outflow) from investing activities                                      |                         |          |          | <u>146,412</u>    |          | (        |          | <u>786,139</u> | )        |
| <u>Cash flow from financing activities</u>   |                         |          |          |                   |          |          |          |                |          |
| Increase (decrease) in Shot-term borrowings  | 6 (28)                  |          |          | ( 92,376          | )        |          |          | 32,376         |          |
| Increase (decrease) in short-term payable notes  | 6 (28)                  |          |          | ( 169,946         | )        |          |          | 80,004         |          |
| Proceeds from long-term loan   | 6 (28)                  |          |          | -                 |          |          |          | 717,440        |          |
| Re-payments of long-term borrowings  | 6 (28)                  |          |          | ( 130,000         | )        | (        |          | 150,000        | )        |
| Decrease (increase) in deposits received   |                         |          |          | ( 54              | )        |          |          | 310            |          |
| Cash dividend distribution   | 6 (18)                  |          |          | ( 38,780          | )        | (        |          | 38,780         | )        |
| Subsidiaries distributing cash dividends – non-control equity change                     |                         |          |          | ( 184             | )        |          |          | -              |          |
| Net cash inflow (outflow) from financing activities                                      |                         |          |          | <u>( 431,340</u>  | )        |          |          | <u>641,350</u> |          |
| Effects of exchange rate fluctuation on cash   |                         |          |          | <u>636</u>        |          | (        |          | <u>1,635</u>   | )        |
| Increase (decrease) in cash and cash equivalents for the current period                  |                         |          |          | ( 49,628          | )        |          |          | 12,915         |          |
| Opening balance of cash and cash equivalents   |                         |          |          | <u>155,995</u>    |          |          |          | <u>143,080</u> |          |
| Closing balance of cash and cash equivalents   |                         |          |          | <u>\$ 106,367</u> |          | \$       |          | <u>155,995</u> |          |

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

## Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18002850

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

### **Audit opinion**

We have audited the accompanying individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co. Ltd. of December 31, 2018 and 2017, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) 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, 2018 and 2017, 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. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate 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 2018 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 2018 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

## **Accounting assessment of inventory valuation**

### Description of the matter

For accounting policy on inventory valuation, please refer to the individual financial statements Note 4 (11) for details; for accounting estimates on inventory valuation and hypothesized uncertainty, please refer to the individual financial statements Note 5 (2) for details; for description on inventory accounting category, please refer to the individual financial statements Note 6 (5).

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.
3. To obtain the management have individually identified of overdue inventory details, to randomly review its relevant information and also validate the ledger entry records.

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

### Description of the matter

See Note 4 (28) in the individual financial report for details of the accounting policy on income recognition. As described in the accounting policy, sales revenue is recognized when the product is delivered to the customer, where the customer holds the judgment right on product sales distribution and pricing, and CCSB group also no further contractual obligations to be fulfilled that might hinder the customer from accepting said product. 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 individual 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 2018 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.

PricewaterhouseCoopers, Taiwan

March 26, 2019

#### Note to Readers

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



Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual Balance Sheet  
December 31, 2018 and 2017

Unit: NTD thousand

|                           | Assets  | Additional notes | December 31, 2018   |            | December 31, 2017   |            |
|---------------------------|---|------------------|---------------------|------------|---------------------|------------|
|                           |   |                  | Amount              | %          | Amount              | %          |
| <b>Current assets</b>     |   |                  |                     |            |                     |            |
| 1100                      | Cash and cash equivalents   | 6 (1)            | \$ 65,472           | 2          | \$ 107,950          | 3          |
| 1150                      | Notes receivable-net  | 6 (4)            | 666                 | -          | 1,787               | -          |
| 1170                      | Net accounts receivable   | 6 (4)            | 35,490              | 1          | 130,431             | 4          |
| 1180                      | Account receivables-Related Parties- net  | 7                | 94,186              | 3          | 109,159             | 3          |
| 1200                      | Other receivable  | 7                | 9,397               | 1          | 6,435               | -          |
| 1220                      | Current income tax assets   | 6 (23)           | 1,697               | -          | -                   | -          |
| 130X                      | Inventory   | 6 (5)            | 362,398             | 11         | 330,435             | 10         |
| 1410                      | Prepayments   |                  | 3,913               | -          | 3,474               | -          |
| 1460                      | Available-for-sale financial assets—noncurrent                                      | 6 (9)            | -                   | -          | 263,553             | 8          |
| 11XX                      | <b>Total of Current Assets</b>  |                  | <u>573,219</u>      | <u>18</u>  | <u>953,224</u>      | <u>28</u>  |
| <b>Non-Current assets</b> |   |                  |                     |            |                     |            |
| 1510                      | Financial assets that are measured at fair value through profit or loss-non-current | 6 (2)            | 29,978              | 1          | -                   | -          |
| 1523                      | Available-for-sale financial assets - non-current                                   | 12 (4)           | -                   | -          | 93,775              | 3          |
| 1543                      | Financial assets carried at cost – non-current                                      | 12 (4)           | -                   | -          | 30,000              | 1          |
| 1550                      | Investments accounted for by the equity method                                      | 6 (6)            | 355,439             | 11         | 61,542              | 2          |
| 1600                      | property , plant, and equipment   | 6 (7) (10) and 8 | 2,195,207           | 68         | 2,242,419           | 65         |
| 1760                      | Real property for investment- net   | 6 (8)            | 10,700              | -          | 10,700              | -          |
| 1780                      | Intangible assets   |                  | 2,193               | -          | 3,185               | -          |
| 1840                      | Deferred income tax assets  | 6 (23)           | 20,285              | 1          | 14,787              | -          |
| 1900                      | Other current non-assets  | 6 (15)           | 23,174              | 1          | 25,341              | 1          |
| 15XX                      | <b>Total of Non-Current Assets</b>  |                  | <u>2,636,976</u>    | <u>82</u>  | <u>2,481,749</u>    | <u>72</u>  |
| 1XXX                      | <b>Total assets</b>   |                  | <u>\$ 3,210,195</u> | <u>100</u> | <u>\$ 3,434,973</u> | <u>100</u> |

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual Balance Sheet  
December 31, 2018 and 2017

Unit: NTD thousand

| Liabilities and equity   | Additional notes   | December 31, 2018 |                     | December 31, 2017 |                     |            |
|--|--|-------------------|---------------------|-------------------|---------------------|------------|
|  |  | Amount            | %                   | Amount            | %                   |            |
| <b>Current liabilities</b>   |  |                   |                     |                   |                     |            |
| 2100   | Shot-term borrowings   | 6 (11)            | \$ 150,000          | 5                 | \$ 242,376          | 7          |
| 2110   | Short-term bills payable   | 6 (12)            | 79,956              | 3                 | 249,902             | 7          |
| 2150   | Payable notes  |                   | 1,192               | -                 | 345                 | -          |
| 2170   | Accounts payable   |                   | 60,595              | 2                 | 55,201              | 2          |
| 2200   | Other payable  | 6 (13)            | 109,299             | 3                 | 110,159             | 3          |
| 2230   | Current Income Tax Liability                                     |                   | 12,878              | -                 | 1,625               | -          |
| 2320   | Long-term liabilities due within one year or one operating cycle | 6 (13) and 8      | -                   | -                 | 130,000             | 4          |
| 2399   | Other current liabilities- other                                 |                   | 793                 | -                 | 6,141               | -          |
| 21XX   | <b>Total of current liabilities</b>                              |                   | <u>414,713</u>      | <u>13</u>         | <u>795,749</u>      | <u>23</u>  |
| <b>Non-current liabilities</b>   |  |                   |                     |                   |                     |            |
| 2540   | Long-term borrowings   | 6 (14) and 8      | 567,440             | 18                | 567,440             | 17         |
| 2570   | Deferred income tax liabilities                                  | 6 (23)            | 243,863             | 7                 | 250,380             | 7          |
| 2600   | Other non-current liabilities                                    |                   | 522                 | -                 | 576                 | -          |
| 25XX   | <b>Total of non-current liabilities</b>                          |                   | <u>811,825</u>      | <u>25</u>         | <u>818,396</u>      | <u>24</u>  |
| 2XXX   | <b>Total liabilities</b>   |                   | <u>1,226,538</u>    | <u>38</u>         | <u>1,614,145</u>    | <u>47</u>  |
| <b>Equity</b>  |  |                   |                     |                   |                     |            |
| <b>Share capital</b>   |  |                   |                     |                   |                     |            |
| 3110   | Ordinary shares capital  | 6 (16)            | 775,600             | 24                | 775,600             | 22         |
| <b>Capital reserve</b>   |  |                   |                     |                   |                     |            |
| 3200   | Capital reserve  | 6 (17)            | 334,323             | 11                | 334,323             | 10         |
| <b>Retained earnings</b>   |  |                   |                     |                   |                     |            |
| 3310   | Legal earnings reserve   | 6 (18)            | 135,919             | 4                 | 127,342             | 4          |
| 3320   | Special earnings reserve   |                   | 183,296             | 6                 | 183,296             | 5          |
| 3350   | Undistributed earnings   | 6 (23)            | 553,954             | 17                | 410,290             | 12         |
| <b>Other equity</b>  |  |                   |                     |                   |                     |            |
| 3400   | Other equity   |                   | 565                 | -                 | (10,023)            | -          |
| 3XXX   | <b>Total equity</b>  |                   | <u>1,983,657</u>    | <u>62</u>         | <u>1,820,828</u>    | <u>53</u>  |
| <b>Significant contingent liabilities and unrecognized contractual commitments</b> |  |                   |                     |                   |                     |            |
| <b>Major post-balance sheet events</b>   |  |                   |                     |                   |                     |            |
| 3X2X   | <b>Total liabilities and equity</b>                              |                   | <u>\$ 3,210,195</u> | <u>100</u>        | <u>\$ 3,434,973</u> | <u>100</u> |

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand  
(except EPS in NTD)

| Item  | Additional notes | 2018              |              | 2017              |              |
|---|------------------|-------------------|--------------|-------------------|--------------|
|   |                  | Amount            | %            | Amount            | %            |
| 4000 <b>Operating revenues</b>  | 6(19) and 7      | \$ 994,632        | 100          | \$ 1,141,506      | 100          |
| 5000 <b>Operating cost</b>  | 6 (5) (23)       | ( 658,526)        | ( 66)        | ( 758,137)        | ( 66)        |
| 5900 <b>Operating gross profit</b>  |                  | 336,106           | 34           | 383,369           | 34           |
| 5910 Unrealized loss (gain) from sales  |                  | -                 | -            | 864               | -            |
| 5920 Realized loss (gain) from sales  |                  | ( 864)            | -            | ( 57)             | -            |
| 5950 <b>Operating gross profit</b>  |                  | <u>335,242</u>    | <u>34</u>    | <u>384,176</u>    | <u>34</u>    |
| <b>Operating expenses</b>   | 6 (23)           |                   |              |                   |              |
| 6100 Marketing expenses   |                  | ( 65,019)         | ( 7)         | ( 70,264)         | ( 6)         |
| 6200 Administrative expenses  |                  | ( 79,799)         | ( 8)         | ( 95,374)         | ( 9)         |
| 6300 Research and development expenses  |                  | ( 161,537)        | ( 16)        | ( 149,319)        | ( 13)        |
| 6450 Expectant credit loss/gains  | 12 (2)           | 84                | -            | -                 | -            |
| 6000 <b>Total operating expenses</b>  |                  | <u>( 306,271)</u> | <u>( 31)</u> | <u>( 314,957)</u> | <u>( 28)</u> |
| 6900 <b>Operating profit</b>  |                  | <u>28,971</u>     | <u>3</u>     | <u>69,219</u>     | <u>6</u>     |
| <b>Non-operating revenues and expenses</b>  |                  |                   |              |                   |              |
| 7010 Other revenue  | 6 (20)           | 13,896            | 1            | 12,220            | 1            |
| 7020 Other profits and losses   | 6(19)(21)        | 204,301           | 21           | ( 12,540)         | ( 1)         |
| 7050 Financial costs  | 6 (21)           | ( 10,870)         | ( 1)         | ( 8,351)          | ( 1)         |
| 7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method |                  | 781               | -            | 37,573            | 4            |
| 7000 <b>Total non-operating revenues and expenses</b>   |                  | <u>208,108</u>    | <u>21</u>    | <u>28,902</u>     | <u>3</u>     |
| 7900 <b>Earnings before tax</b>   |                  | 237,079           | 24           | 98,121            | 9            |
| 7950 Income tax expense   | 6 (23)           | ( 2,828)          | ( 1)         | ( 12,355)         | ( 1)         |
| 8200 <b>Current period net profit</b>   |                  | <u>\$ 234,251</u> | <u>23</u>    | <u>\$ 85,766</u>  | <u>8</u>     |

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand  
(except EPS in NTD)

| Item   | Additional notes  | 2018   |         | 2017   |           |
|--|---|--------|---------|--------|-----------|
|  |   | Amount | %       | Amount | %         |
| <b>Other comprehensive income (net)</b>                                  |   |        |         |        |           |
| <b>Items not re-classified under profit or loss</b>                      |   |        |         |        |           |
| 8311   | Defined benefit plan revaluation amount and volume  | 6 (15) |         |        |           |
|  |   | (\$    | 2,494)  | -      | \$ 2,353  |
| 8316   | Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income  | 6 (2)  |         |        |           |
|  |   | (      | 30,108) | ( 3)   | -         |
| 8330   | The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss    |        |         |        |           |
|  |   | (      | 828)    | -      | -         |
| 8349   | Income tax related to accounts not being reclassified   | 6 (23) |         |        |           |
|  |   |        | 248     | -      | ( 400)    |
| 8310   | <b>Total amount of items not reclassified to profit or income</b>   |        |         |        |           |
|  |   | (      | 33,182) | ( 3)   | 1,953     |
| <b>Items that may be re-classified subsequently under profit or loss</b> |   |        |         |        |           |
| 8361   | Exchange differences arising from translating the financial statements of foreign operations  |        |         |        |           |
|  |   |        | 383     | -      | ( 1,247)  |
| 8362   | Unrealized valuation gains and losses of available-for-sale financial assets  | 12 (4) |         |        |           |
|  |   |        | -       | -      | 2,263     |
| 8380   | The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss |        |         |        |           |
|  |   |        | 214     | -      | -         |
| 8360   | <b>Total amount of items probably reclassified to profit or loss subsequently</b>   |        |         |        |           |
|  |   |        | 597     | -      | 1,016     |
| 8300   | <b>Other comprehensive income (net)</b>   |        |         |        |           |
|  |   | (\$    | 32,585) | ( 3)   | \$ 2,969  |
| 8500   | <b>Total comprehensive income for the period</b>  |        |         |        |           |
|  |   | \$     | 201,666 | 20     | \$ 88,735 |
| <b>Earnings per share</b>  |   |        |         |        |           |
| 9750   | <b>Base earnings per share</b>  | 6 (24) |         |        |           |
|  |   |        | \$      | 3.02   | \$ 1.11   |
| 9850   | <b>Diluted earnings per share</b>   |        |         |        |           |
|  |   |        | \$      | 2.99   | \$ 1.10   |

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual statement of changes in equity  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | Additional notes | Capital reserve         |                  |        | Retained earnings      |                          |                        | Other equity   |  |  | Total equity |
|--|------------------|-------------------------|------------------|--------|------------------------|--------------------------|------------------------|--|--|--|--------------|
|  |                  | Ordinary shares capital | Issuance premium | Others | Legal earnings reserve | Special earnings reserve | Undistributed earnings | Exchange differences arising from translating the financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | Unrealized gain or loss on available-for-sale financial assets |              |
| <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 |
| Current period net profit  |                  | -                       | -                | -      | -                      | -                        | 85,766                 | -  | -  | -  | 85,766       |
| Current other comprehensive income   | 12 (4)           | -                       | -                | -      | -                      | -                        | 1,953                  | ( 1,247)   | -  | 2,263  | 2,969        |
| Total comprehensive income for the period                                    |                  | -                       | -                | -      | -                      | -                        | 87,719                 | ( 1,247)   | -  | 2,263  | 88,735       |
| The 2016 appropriation and distribution of earnings:                         | (Note) 6 (17)    |                         |                  |        |                        |                          |                        |  |  |  |              |
| Legal earnings reserve   |                  | -                       | -                | -      | 6,028                  | -                        | ( 6,028)               | -  | -  | -  | -            |
| Cash dividend  |                  | -                       | -                | -      | -                      | -                        | ( 38,780)              | -  | -  | -  | ( 38,780)    |
| Balance at December 31, 2017   |                  | \$ 775,600              | \$ 333,746       | \$ 577 | \$ 127,342             | \$ 183,296               | \$ 410,290             | (\$ 373)   | \$ -   | (\$ 9,650)   | \$ 1,820,828 |
| <b>2018</b>  |                  |                         |                  |        |                        |                          |                        |  |  |  |              |
| Balance as of January 1, 2018  |                  | \$ 775,600              | \$ 333,746       | \$ 577 | \$ 127,342             | \$ 183,296               | \$ 410,272             | (\$ 373)   | \$ -   | (\$ 9,650)   | \$ 1,820,810 |
| Applicable impact factor backtracked from the amended equation               | 12 (4)           | -                       | -                | -      | -                      | -                        | ( 39)                  | -  | ( 9,650)   | 9,650  | ( 39)        |
| Balance on January, 1 2018 after adjustment                                  |                  | 775,600                 | 333,746          | 577    | 127,342                | 183,296                  | 410,233                | ( 373)   | ( 9,650)   | -  | 1,820,771    |
| Current period net profit  |                  | -                       | -                | -      | -                      | -                        | 234,251                | -  | -  | -  | 234,251      |
| Current other comprehensive income   |                  | -                       | -                | -      | -                      | -                        | ( 3,415)               | 597  | ( 29,767)  | -  | ( 32,585)    |
| Total comprehensive income for the period                                    |                  | -                       | -                | -      | -                      | -                        | 230,836                | 597  | ( 29,767)  | -  | 201,666      |
| The 2017 appropriation and distribution of earnings:                         | (Note) 6 (17)    |                         |                  |        |                        |                          |                        |  |  |  |              |
| Legal earnings reserve   |                  | -                       | -                | -      | 8,577                  | -                        | ( 8,577)               | -  | -  | -  | -            |
| Cash dividend  |                  | -                       | -                | -      | -                      | -                        | ( 38,780)              | -  | -  | -  | ( 38,780)    |
| Equity instrument at fair value through other comprehensive income statement | 6 (6)            | -                       | -                | -      | -                      | -                        | ( 39,758)              | -  | 39,758   | -  | -            |
| Balance at December 31, 2018   |                  | \$ 775,600              | \$ 333,746       | \$ 577 | \$ 135,919             | \$ 183,296               | \$ 553,954             | \$ 224   | \$ 341   | \$ -   | \$ 1,983,657 |

Note: The 2017 employee remunerations and director/auditor remunerations voted before the management board for distribution are at \$11,025 and \$1,103 respectively; in addition, the 2016 employee remunerations and director/auditor remunerations voted before the management board for distribution are at \$10,396 and \$1,040 respectively, which have all been deducted from the individual general loss and gain report.

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Individual Cash Flow Statement

January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | <u>Additional notes</u> | <u>January 1 to<br/>December 31, 2018</u> |    | <u>January 1 to<br/>December 31, 2017</u> |
|--|-------------------------|---|----|---|
| <u>Cash flow from operating activities</u>   |                         |   |    |   |
| Pre-tax profit for the current period  |                         | \$ 237,079                                | \$ | 98,121                                    |
| Adjustments  |                         |   |    |   |
| Income, expense, and loss  |                         |   |    |   |
| Expectant credit loss/gains  | 12 (2)                  | ( 84 )                                    |    | -   |
| Depreciation   | 6 (7) (21)              | 132,834                                   |    | 132,691                                   |
| Amortization   | 6 (21)                  | 1,786                                     |    | 1,293                                     |
| Net loss on financial assets and liabilities at fair value through profit and loss                             |                         | 150                                       |    | -   |
| Impairment loss  |                         | 9,841                                     |    | -   |
| Gain (loss) in disposal of real estate, plant buildings, equipment & facilities                                | 6 (7) (19)              | ( 214,600 )                               |    | 146                                       |
| The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method |                         | ( 781 )                                   | (  | 37,573 )                                  |
| Interest expenses  | 6 (20)                  | 10,870                                    |    | 8,351                                     |
| Interest income  | 6 (18)                  | ( 234 )                                   | (  | 222 )                                     |
| Dividend income  | 6 (18)                  | ( 3,778 )                                 | (  | 3,017 )                                   |
| Unrealized loss (gain) from sales  |                         | -   | (  | 864 )                                     |
| Realized gain (loss) from sales  |                         | 864                                       |    | 56  |
| Changes in assets/liabilities relating to operating activities   |                         |   |    |   |
| Net changes in assets relating to operating activities   |                         |   |    |   |
| Financial assets at fair value through profit or loss- current   |                         | 211                                       |    | -   |
| Notes receivable-net   |                         | 1,114                                     | (  | 1,166 )                                   |
| Net accounts receivable  |                         | 94,688                                    | (  | 40,742 )                                  |
| Account receivables-Related Parties- net   |                         | 14,940                                    |    | 10,803                                    |
| Other receivable   |                         | 455                                       |    | 669                                       |
| Other receivables - related parties  |                         | ( 435 )                                   |    | 227                                       |
| Inventory  |                         | ( 31,963 )                                |    | 64,308                                    |
| Prepayments  |                         | ( 439 )                                   | (  | 1,784 )                                   |
| Net defined benefit assets   |                         | ( 1,527 )                                 | (  | 9,517 )                                   |
| Net changes in liabilities relating to operating activities  |                         |   |    |   |
| Contract liabilities – liquid  |                         | ( 1,566 )                                 |    | -   |
| Payable notes  |                         | 847                                       |    | -   |
| Accounts payable   |                         | 5,394                                     | (  | 15,475 )                                  |
| Other payable  |                         | ( 3,301 )                                 | (  | 1,523 )                                   |
| Other current liabilities-others   |                         | ( 3,782 )                                 |    | 3,590                                     |
| Net cash provided by operating activities  |                         | 248,583                                   |    | 208,372                                   |
| Interest received  |                         | 222                                       |    | 202                                       |
| Dividends received   |                         | 31,171                                    |    | 3,017                                     |
| Interest paid  |                         | ( 10,987 )                                | (  | 7,797 )                                   |
| Income tax paid  |                         | ( 5,039 )                                 | (  | 20,717 )                                  |
| Net cash inflow from operating activities  |                         | <u>263,950</u>                            |    | <u>183,077</u>                            |

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.  
Individual Cash Flow Statement  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|  | <u>Additional notes</u> | <u>January 1 to<br/>December 31, 2018</u> | <u>January 1 to<br/>December 31, 2017</u> |
|--|-------------------------|---|---|
| <u>Cash flow from investing activities</u>   |                         |   |   |
| Acquisition of financial assets at fair value through other comprehensive profit or loss |                         | (\$ 200,161 )                             | \$ -                                      |
| Acquisition of investment under the equity method  | 6 (6)                   | ( 60,764 )                                | -   |
| Costs of property, plant and equipment acquired  | 6 (27)                  | ( 92,933 )                                | ( 802,600 )                               |
| Proceeds from disposal of property, plant and equipment                                  | 6 (7)                   | 478,180                                   | 1,095                                     |
| Acquisition of Intangible assets   |                         | ( 794 )                                   | ( 2,617 )                                 |
| Decrease (increase) in deposits paid   |                         | 1,200                                     | ( 3,118 )                                 |
| Net cash inflow (outflow) from investing activities                                      |                         | <u>124,728</u>                            | <u>( 807,240 )</u>                        |
| <u>Cash flow from financing activities</u>   |                         |   |   |
| Increase (decrease) in Short-term borrowings   | 6 (28)                  | ( 92,376 )                                | 32,376                                    |
| Increase (decrease) in short-term payable notes  | 6 (28)                  | ( 169,946 )                               | 80,004                                    |
| Proceeds from long-term loan   | 6 (28)                  | -   | 717,440                                   |
| Re-payments of long-term borrowings  | 6 (28)                  | ( 130,000 )                               | ( 150,000 )                               |
| Increase in deposit received   |                         | ( 54 )                                    | 310                                       |
| Cash dividend distribution   | 6 (18)                  | ( 38,780 )                                | ( 38,780 )                                |
| Net cash inflow (outflow) from financing activities                                      |                         | <u>( 431,156 )</u>                        | <u>641,350</u>                            |
| Increase (decrease) in cash and cash equivalents for the current period                  |                         | ( 42,478 )                                | 17,187                                    |
| Opening balance of cash and cash equivalents   |                         | 107,950                                   | 90,763                                    |
| Closing balance of cash and cash equivalents   |                         | <u>\$ 65,472</u>                          | <u>\$ 107,950</u>                         |

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Appendix Four

**Chunghwa Chemical Synthesis & Biotech Co., Ltd.**  
**Proposal of Earning Distribution**  
**2018**

Unit: NTD

| Item  | Amount       |
|---|--------------|
| Opening undistributed earnings  | 362,933,312  |
| Less: Retained earnings adjusted in 2018  | (43,230,540) |
| Unappropriated adjusted earnings  | 319,702,772  |
| Add: After-tax net profit in 2018   | 234,250,876  |
| Less: Statutory earnings reserve  | (23,425,088) |
| Earnings to be allocated  | 530,528,560  |
| Less: Shareholder bonus (cash dividend of NTD1.2 per share) (see Note 1)  | (93,072,000) |
| Closing undistributed earnings  | 437,456,560  |
| Note 1: Cash dividends were distributed based on the percentage of shares held by shareholders on the record date. They were rounded to the dollar. Fractions less than one dollar were 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.  
Director (including the independent director) candidates data**

| Nominee type | Name of nominees  | Number of shares held (shares) | Education Background   | Work Experience   | Current position  | Whether having consecutively served three terms of independent director | Reason for having bene consecutively nominated and served three terms of independent director |
|--------------|---|--------------------------------|--|---|---|---|---|
| Director     | China Chemical & Pharmaceutical Co., Ltd. representative: Hsun-Sheng Wang | 17,331,064                     | Master of Business Administration, Yale University, U.S.A.                 | <ul style="list-style-type: none"> <li>Chairman of China Chemical &amp; Pharmaceutical Co., Ltd.</li> </ul>       | <ul style="list-style-type: none"> <li>Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. (CCSB incorporated entity representative) chairman</li> <li>Tairung Enterprise Co., Ltd. chairman</li> <li>Chunghwa Yuming Healthcare Co., Ltd. (CCSB incorporated entity representative) chairman</li> <li>Sino-Japan Chemical Co., Ltd. (CCSB incorporated entity representative) chairman</li> <li>Suzhou Chung-Hwa Chemical &amp; Pharmaceutical Co., Ltd. director</li> </ul> | Not applicable  | Not applicable  |
| Director     | China Chemical & Pharmaceutical Co., Ltd. representative: Yin-Nan Sun     |                                | Graduated from the Department of Labor Relations, China Culture University | <ul style="list-style-type: none"> <li>Vice President of China Chemical &amp; Pharmaceutical Co., Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>Vice President of China Chemical &amp; Pharmaceutical Co., Ltd.</li> <li>Tairong Enterprise Co., Ltd. (CCSB incorporated entity representative) director</li> <li>Chunghwa Yuming Healthcare Enterprise Co., Ltd. (CCSB incorporated entity representative) director</li> <li>Chunghwa Yuming Healthcare Enterprise Co., Ltd. president</li> </ul>   | Not applicable  | Not applicable  |

| Nominee type         | Name of nominees   | Number of shares held (shares) | Education Background   | Work Experience   | Current position  | Whether having consecutively served three terms of independent director | Reason for having been consecutively nominated and served three terms of independent director |
|----------------------|--|--------------------------------|--|---|---|---|---|
|                      |  |                                |  |   | <ul style="list-style-type: none"> <li>● Suzhou Chung-Hwa Chemical &amp; Pharmaceutical Co., Ltd. director</li> </ul>   |   |   |
| Director             | The Mr. Wang Min-ning Memorial Foundation representative: Wang Shun-hui    | 1,691,982                      | Graduated from the U.S. New York State Art University  | <ul style="list-style-type: none"> <li>● Chairman of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.</li> </ul>   | <ul style="list-style-type: none"> <li>● Chairman of Suzhou Chung-Hwa Chemical Pharmaceutical Industrial Co., Ltd.</li> <li>● Tairong Enterprise Co., Ltd. director</li> <li>● Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. (CCSB incorporated entity representative) director</li> <li>● Sino-Japan Chemical Co., Ltd. auditor</li> </ul> | Not applicable  | Not applicable  |
| Director             | The Mr. Wang Min-ning Memorial Foundation representative: Huang Chung-hsin |                                | <ul style="list-style-type: none"> <li>● China CCSB Pharmaceuticals president</li> <li>● Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. operations division vice president</li> <li>● Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. administrative center vice president</li> </ul> | <ul style="list-style-type: none"> <li>● Chunghwa Chemical Synthesis &amp; Biotech Co., Ltd. president</li> <li>● Pharmaports, LLC (CSBC incorporated entity representative) chairman</li> <li>● Executive director of Suzhou Chunghwa Biotech Trading Co., Ltd.</li> </ul> | Not applicable  | Not applicable  |   |
| Independent Director | Kuo-Chiang Wang  | 0                              | Master's Degree from the NCTU Executive Masters of Business Administration   | <input type="checkbox"/> Acting President of Dafeng Cable Co., Ltd.<br><input type="checkbox"/> President of Taiwan Digital Broadband Cable TV Co., Ltd.<br><input type="checkbox"/> Assistant Professor of   | <ul style="list-style-type: none"> <li>● Davicom Semiconductor, Inc. managing director</li> <li>● SolidWizard Technology Co., Ltd. independent director, auditor committee commissioner, remunerations committee member</li> </ul>  | Yes   | Mr. Wang Guo-chiang has served three terms of company independent                             |

| Nominee type | Name of nominees | Number of shares held (shares) | Education Background  | Work Experience                          | Current position   | Whether having consecutively served three terms of independent director | Reason for having been consecutively nominated and served three terms of independent director   |
|--------------|------------------|--------------------------------|---|--|--|---|---|
|              |                  |                                | BA of National Chung Hsing University accounting department | National Taipei University of Technology | <ul style="list-style-type: none"> <li>● Feedback Tech. Corp. independent director, audit and remunerations committees commissioner, merger special committee member</li> <li>● Partner Tech Corp. independent director, remunerations committee commissioner, audit committee member</li> <li>● National Chiao Tung University part-time assistant professor</li> </ul> |   | director, and through the management board evaluating his past participation at the management board status and his recommendation presented, which confirms that Mr. Wang Guo-chiang's tenure on the management board has not affected his independent judgment of company affairs. Moreover, taking into consideration that he holds accounting, audit professional domain work experience, and |

| Nominee type | Name of nominees | Number of shares held (shares) | Education Background | Work Experience | Current position | Whether having consecutively served three terms of independent director | Reason for having been consecutively nominated and served three terms of independent director  |
|--------------|------------------|--------------------------------|----------------------|-----------------|------------------|---|--|
|              |                  |                                |                      |                 |                  |   | is also familiar with relevant laws and regulations and company governance expertise experience, who contributes significantly to the company, the current re-election will continue to nominate him as an independent director candidate, which will enable him to still be able to excel in his expertise and provide the management board with supervision and also provide his opinion when exercising the |

| Nominee type         | Name of nominees | Number of shares held (shares) | Education Background   | Work Experience   | Current position   | Whether having consecutively served three terms of independent director | Reason for having bene consecutively nominated and served three terms of independent director  |
|----------------------|------------------|--------------------------------|--|---|--|---|--|
|                      |                  |                                |  |   |  |   | independent directory's fiduciary duties.  |
| Independent Director | Cheng-Hsien Tsai | 0                              | <p>Doctorial of U.S. Minnesota University chemical engineering and material science</p> <p>BA, Taiwan University chemical engineering department</p> | <ul style="list-style-type: none"> <li>● Chairman of BIONET Corp.</li> <li>● CEO of GGA Corp.</li> <li>● 2003~2005 Asian Cord Blood Bank Alliance/Chair (Asia Pacific Cord Blood Bank Consortium , APCBBC)</li> <li>● 2012~2013 Regional Vice President of International Society for Cellular Therapy (ISCT)</li> </ul> | <ul style="list-style-type: none"> <li>● Chairman of BIONET Corp.</li> <li>● Chairman of CROWN STAR ALLIANCE LIMITED</li> <li>● Chairman of STAR FORD (SAMOA) LIMITED</li> <li>● CEO of GGA Corp.</li> <li>● BioNet Company, Limited incorporated entity director representative</li> <li>● Les Enfant Company, Limited independent director, remunerations committee member</li> <li>● Lien Chang Electronic Enterprise Co., Ltd. independent director, remunerations committee member</li> </ul> | Yes   | Mr. Tsai Zheng-shian has served three terms as company independent director, and through the management board evaluating his past participation at the management board status and his recommendation presented, which confirm that Mr. Tsai Zheng-shian's tenure on the management board has not affected his independent judgment on |

| Nominee type | Name of nominees | Number of shares held (shares) | Education Background | Work Experience | Current position | Whether having consecutively served three terms of independent director | Reason for having been consecutively nominated and served three terms of independent director  |
|--------------|------------------|--------------------------------|----------------------|-----------------|------------------|---|--|
|              |                  |                                |                      |                 |                  |   | <p>company affairs. Moreover, taking into consideration his comprehensive exposure in the biotech industry and company governance expertise experience, who contributes significantly to the company, the current re-election will continue to nomination him as an independent director candidate, which will enable him to still be able to excel in his expertise and provide the management board with</p> |

| Nominee type         | Name of nominees | Number of shares held (shares) | Education Background   | Work Experience   | Current position   | Whether having consecutively served three terms of independent director | Reason for having been consecutively nominated and served three terms of independent director          |
|----------------------|------------------|--------------------------------|--|---|--|---|--|
|                      |                  |                                |  |   |  |   | supervision and also provide his opinions when exercising the independent director's fiduciary duties. |
| Independent Director | Chih-Hsien Chang | 0                              | <p>Master of Statistics, Stanford University, U.S.A.</p> <p>Department of Agricultural Economics, National Taiwan University</p> | <ul style="list-style-type: none"> <li>● Special assistant to the hosting architect of Partners Architects Planners</li> <li>● Vice President of Chia Hsin Asset Management Development Co., Ltd. (subsidiary of Chia Hsin Cement Corporation)</li> <li>● Vice President of Robeco Investment Management Group Asia Investment Management Center (Hong Kong) Greater China Marketing</li> </ul> | <ul style="list-style-type: none"> <li>● Vision Thinktank Co., Ltd. CEO</li> <li>● Special assistant to the hosting architect of Partners Architects Planners</li> <li>● Supervisor of ADLINK Technology Inc.</li> </ul> | No  | Not applicable   |

## Appendix VI

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

#### **Articles of Incorporation**

##### Chapter One 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 Two 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 regulatory 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 Three 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 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 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 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 regulatory authority.

Article 15: 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 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 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 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 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 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 NTD0.1.

#### Chapter VII. Supplementary Provisions

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

Article 34: Established on Oct. 12, 1963, this charter was amended the first time on Mar. 1, 1964, the second time on Apr. 11, 1965, the third time on Apr. 11, 1967, the fourth time on June 29, 1968, the fifth time on May 10, 1969, the sixth time on Sept. 15, 1975, the seventh time on Apr. 29, 1976, the eighth time on Apr. 23, 1977, the ninth time on Oct. 7, 1978, the tenth time on May 19, 1981, the 11th time on Dec. 26, 1981, the 12th time on May 29, 1982, the 13th time on Apr. 23, 1983, the 14th time on May 28, 1986, the 15th time on May 9, 1987, the 16th time on Apr. 30, 1988, the 17th time on Apr. 29, 1989, the 18th time on May 12, 1990, the 19th time on May 4, 1991, the 20th time on Apr. 11, 1992, the 21st time on May 29, 1993, the 22nd time on May 28, 1994, the 23rd time on June 7, 1996, the 24th time on June 30, 1997, the 25th time on May 12, 1998, the 26th time on June 29, 1999, the 27th time

on June 26, 2002, the 28th time on June 20, 2003, the 29th time on June 18, 2004, the 30th time on June 24, 2005, the 31st time on June 16, 2006, the 32nd time on June 28, 2007, the 33rd time on June 19, 2009, the 34th time on June 8, 2010, the 35th time on June 20, 2012, the 36th time on June 19, 2013, the 37th time on June 18, 2015 and the 38th time on May 31, 2016. Besides Articles 23, 23-1, 23-2 and 24 prior to the 37th amendment and Articles 17, 18, 25 and 31 that were to go into effect when the 20th Board of Directors was formed, the rest of the articles came into force after they were approved during the shareholders' meetings.

## Appendix VII

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

#### Rules of Procedure for 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 "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 shareholders' meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors. The Company shall enter the 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 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 General Shareholders Meeting 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 General Shareholders Meeting 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 shareholders' meeting in person or by proxy to participate in the proposal discussion.

The Company shall have the processing result presented in the 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 shareholders' meeting.

Article 4: Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the 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 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 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 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 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 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 shareholders' meeting is limited to one person.

Article 7:

If the 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 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 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 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 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 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 shareholders' meeting. The provision referred to above is applicable even when the 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 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 shareholders' meeting is counted by the shareholding.

For the resolutions of the 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 shareholders meeting advice. Shareholders who have voted in writing or using the electronic method are considered to have attended the 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 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 shareholders meeting in person, then a proper declaration of withdrawal must be issued using the same method as the original vote at least 2 day before the 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 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 shareholders meeting; the same applies to all subsequent revisions.

## Appendix VIII

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd. Rules for Elections of Directors**

- Article 1: In order to elect directors fairly and publicly, the Rules are formulated in accordance with Article 21 and Article 41 of “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.
- Article 2: Unless otherwise specified by law or the Articles of Incorporation, election of the Company's directors shall proceed according to the procedures stated here.
- Article 3: Board composition shall be taken into consideration when electing director members. Board members shall be diversified in a manner that supports the Company's operations, business activities and growth. The diversification shall be based on, but is not limited to, the following two principles:
1. Basic conditions and values: Gender, age, nationality, and culture.
  2. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.
- Board members should possess the necessary knowledge, skills, and literacy for performing duties, which include:
1. Operating judgment
  2. Accounting and financial analysis
  3. Management capability
  4. Crisis management capabilities
  5. Industry knowledge
  6. International market viewpoint
  7. Leadership
  8. Decision-making ability
- The majority of the board directors may not be with a relationship of spouse or second cousin.
- The Board of Directors shall base on the results of the performance evaluation to consider the adjustment of the Board members.
- Article 4: Independent directors are subject to the eligibility criteria specified in Articles 2, 3 and 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." Election of independent directors is subject to comply with Articles 5, 6, 7, 8 and 9 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," and Article 24 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."
- Article 5: Election of directors shall proceed according to the nomination system described in Article 192-1 of the Company Act. To facilitate proper review regarding directors' eligibility, academic/career background and

conditions described in Article 30 of the Company Act, no documentary proof other than those mentioned in the Act shall be used. The outcome of the review needs to be presented to shareholders, and will be used as reference to choose the suitable directors.

If the dismissal of any director for any reason causes the board with less than five directors in service, an election of directors should be held in the most recent shareholders' meeting. However, if the vacancy of board director is one thirds of the chairs designated, the Company shall have an extraordinary shareholders' meeting held within 60 days from the date of the event occurred.

If the number of independent directors does not meet the requirements of the proviso in Article 14-2, Subparagraph 1 of Securities Exchange Act, the relevant provisions of Taiwan Stock Exchange "Corporation Rules Governing Review of Listings, or the Standards for Determining Unsuitability for GTSM Listing under Article 10, Subparagraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM" Subparagraph 8, an election of directors should be held in the most recent shareholders' meeting. When all independent directors were dismissed, the Company shall have an extraordinary shareholders' meeting held within 60 days from the date of the event occurred.

Article 6: The company director election shall adopt the cumulative voting system, where each share shall carry the same voting right with the directors to be voted, which may be collectively voted for one person, or distributed for voting several individuals.

Article 7: The Board of Directors shall produce ballots in quantities that match the number of directors to be elected, and apply weight before distributing them to shareholder meeting participants. Conference pass serial number can be printed on the ballot for identification purpose instead of voter's name.

Article 8: Votes are distinguished between independent and non-independent directors. Candidates who receive the highest number of votes are assigned the role of director followed by supervisor, until the number of director seats mentioned in the Articles of Incorporation are fully filled. If 2 or more candidates receive the same number of votes, they shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.

Article 9: Before the election begins, the chairperson will appoint several shareholders to undertake the roles of ballot examiner and ballot counter to assist in the election. The ballot box will be made available by the Board of Directors, and shall be opened for inspection by the ballot examiner prior to voting.

Article 10: If the candidate is also a shareholder, voters shall specify both shareholder account name and number in the "candidate" column of the ballot. If the candidate is not a shareholder, the candidate's name

and ID card number will have to be specified instead. If the candidate is a government agency or institution shareholder, the candidate column on the ballot must be detailed with the name of the government agency or institution shareholder, or it can be the name of the government agency or institution shareholder and their representatives. If there is more than one representative appointed, the name of all the representatives must be listed separately.

- Article 11: The ballots with any of the following circumstances are invalid:
1. Voting without using ballots prepared by the Board of Directors.
  2. Casting of blank ballot into the ballot box.
  3. Ballots with unrecognizable writing or that are altered.
  4. Where the candidate is a shareholder, the written identity and shareholder account number do not match the shareholder registry; or where the candidate is a non-shareholder, the written name and ID card number do not match the candidate's identity proof.
  5. There are other words other than the account name (name) of the candidate, or shareholder account number and the distributed voting weights.
  6. The candidate's name written in the ballot coincides with another shareholder, but no shareholder account number or ID card number is provided for identification.

Article 12: Ballots are to be counted openly immediately after voting. The chairperson will announce the outcome of the vote, including the names of elected directors and the number of votes received.

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 13: The Company will send a notice of election to office to elected Directors.

Article 14: These procedures will be implemented after being approved in the shareholders' meeting, same as the amendment.

## Appendix IX

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd. Regulations Governing the Acquisition or Disposal of Assets (Before amendments)**

- Article 1: The Company acquisition or disposal of assets controlled in accordance with these Procedures unless otherwise provided by the law and regulations,
- Article 2: The operating procedure has been formulated in accordance with Securities Transaction law Article 36-1 and stipulations set forth under “Regulations Governing the Acquisition or Disposition of Assets by Public Companies.
- Article 3: The scope of assets defined in the Guidelines is as follows:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities and asset-backed securities.
  2. Real estate (including land, housing and construction, investment real estate, and land use rights) and equipment
  3. Memberships.
  4. Patents, copyrights, trademarks, franchise rights and other intangible assets.
  5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  6. Derivatives: refers to the forward contracts, options contracts, futures contracts, leveraged margin contracts, swaps contracts, and the compound contracts of the instruments referred to above with the values derived from assets, interest rate, exchange rate, index, or other interests. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchases (sales) contracts.
  7. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under ~~Paragraph 8 of~~ Article 156 of the Company Act.
  8. Other major assets.
- Article 4: With respect to valuation reports obtained and opinions issued by certified public accountants, lawyers or securities underwriters, the professional valuers, certified public accountants, lawyers, or securities



underwriters shall not be related to transaction counterparties in any way.

Article 5: The total sum that the company and its subsidiaries may individually purchase non-operating use real estate of marketable securities, and the cap on marketable securities that they may invest in individually are as follows:

The Company:

1. The total sum of non-operating use real estate may not exceed twenty percent of the company's net valuation.
2. The total sum for investing in long-, short-term marketable securities may not exceed forty percent of the company's net valuation.
3. The cap for investing in individual marketable securities may not exceed thirty percent of the company's net valuation.

Subsidiaries

1. The total sum of non-operating use real estate may not exceed ten percent of the company's net valuation.
2. The total sum of marketable securities may not exceed fifteen percent of the company's net valuation.
3. The cap for investing in individual marketable securities may not exceed ten percent of the company's net valuation. ◦

The terms "subsidiary", as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "net valuation" refers to the owner's equity belonging to the parent company as classified in the balance set as stipulated by stipulations set forth under the Criteria for Compiling Financial Statements by Securities Issuers."

Article 6: The assessment and operating procedure of the acquisition or disposal of assets

1. Acquire or dispose of securities
  - (1) Of marketable securities acquired or disposed of at mercantile trading markets or securities dealers' business venues, the processing unit shall present the origin of acquisition or disposal planned, instrument, pricing reference basis, rationality analysis and related matters to the responsible unit for judgment ruling decision.
  - (2) Of marketable securities acquired or disposed of at non-mercantile trading markets or securities dealers' business venues, the processing unit shall present origin of the planned acquisition or disposal, instrument, transaction opponent, transfer pricing, terms of payment receipt/payout, pricing reference, rationality evaluation and related matters to the responsible unit for ruling decision.
2. For the Company's acquisition or disposal of assets, the organizing unit shall have the reason, underlying subject, counterparty, transfer price, collection and payment terms, and price reference presented for approval in accordance with the Company's decentralization of

responsibility.

3. The acquisition or disposal of the asset is to be processed in accordance with the relevant provisions of the Company's internal control system.

Article 7: The decision-making procedures of the Company's acquisition or disposal of assets

1. The pricing and reference basis for the acquisition or disposal of assets:

(1) Acquisition and disposal of securities

1. Of marketable securities traded at mercantile trading markets or securities dealers' business venues, the pricing shall be determined by the prevailing marketable securities' market price and so forth at the time.

2. Of marketable securities acquired or disposed of at non-mercantile trading markets or securities dealers' business venues, the pricing shall be determined by its net value per share, profitability, future development potential and by referencing the trading price prevailing at the time.

(2) Other assets acquired or disposed of shall be made by pricing comparison, pricing negotiation, bidding or other means.

2. Obtaining or disposing of assets shall be decided by the authority and authority within the scope of authorization:

(1) Acquisition and disposal of securities

1. When acquiring or disposing long-term marketable securities investment, where each transaction or daily amount is at up to thirty million NTD, the chairman is to approve it and also declare it at the most recent board meeting; of those with an amount exceeding NTD30 million, it needs to be declared separately with the audit committee for the consent of over one-half of the entire members, and also declare it before board meeting for motioning in favor before it may proceed.

2. Of stock shares, government bonds, corporate bonds, financial bonds, marketable securities signifying equity, depository certificates, pledging (selling) right certificates, beneficiary securities, asset-based securities and related short-term idle capital, where each transaction or daily amount at up to thirty million dollars, the chairman is to approve it and also declare it at the most recent board meeting; of those with an amount exceeding NTD30 million, it needs to be declared separately with audit committee for the consent of over one-half of the entire members, and also declare it before board meeting for motioning in favor before it may proceed.

(2) Acquisition or disposal of real estate and other capital assets:

1. In acquisition or disposal of real estate where the amount is up to thirty million NTD, it shall declare for the chairman's approval, and also presented at the most recent board meeting thereafter, and of those exceeding thirty million NTD, it also needs to declare with audit committee for the consent of over one-half of the entire members, complete with declaring it with management board for resolution voting before it may be made.
2. In acquisition or disposal of other capital assets, where the amount is up to ten million NTD (inclusive), it is sought per approval clearance regulations; of those exceeding ten million NTD it needs to be declared separately with the audit committee for the consent by over one-half of the entire members, complete with declaring it with the management board before it may be made.

Article 8: The company, when acquiring or disposing assets, shall commission experts to issue a report by asset type per the stipulations below:

1. In the event that the transaction amount for acquiring or disposing of real property or other fixed assets, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use:
  - (1) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.
  - (2) Where the transaction amount is NT\$1 Billion or more, appraisals from two or more professional appraisers shall be obtained.
  - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The spread between the appraisal result and the transaction amount exceeds 20%.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, if it is subject to the announced present value of the same period and that is not more than six months away, an opinion can be issued by the original appraiser.
2. To acquire or dispose of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the Company's paid-in capital or NT\$300 Million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Except where said marketable securities have an active market's opening quotation or met the stipulated circumstances below, it may be exempt from obtaining the financial statements or contact the CPA for expressing his/her opinion.
- (1) The marketable securities founded, incepted in accordance with the Company Act or solicited and incepted through capital contributions and the entitlements of the acquired marketable securities are deemed comparable to the capital contribution in percentage.
  - (2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.
  - (3) Securities are acquired by subscribing to a cash issue organized by the Company's 100%-owned investee.
  - (4) The security in question is traded over the Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), or the Emerging Stock Market.
  - (5) The security in question is a government bond or a repurchase/resale agreement.
  - (6) Local/offshore open solicited funds.
  - (7) The acquisition or disposal involves TWSE or TPEX-listed shares, and the transaction is completed according to Taiwan

Stock Exchange Corporation/Taipei Exchange Rules Governing Purchase of Listed Securities by Reverse Auction or Rules Governing Auction of Listed Securities by Consignment.

- (8) Participating in openly listed companies' cash reinvestment share pledging or locally pledged corporate bonds (including financial bonds), and the acquired marketable securities do not fall under privately solicited marketable securities.
  - (9) In accordance with Securities Investment Trust and Consulting Law Article 11 paragraph 1 stipulation, prior to a fund sustains, pledging for local privately solicited funds or pledging, buying back locally solicited funds, where the trust contract specifies
3. For the Company's acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.
  4. The Company's acquisition or disposal of membership card or intangible assets for an amount exceeding 20% of the paid-in capital or NTD300 million, except for transactions with government agencies, should have a CPA contracted to express an opinion on the reasonableness of the price prior to the date of the event. The CPA should have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation.
  5. The transactions amount in the Paragraph 1, 2, 4 of this Article should be calculated in accordance with Article 13 Paragraph 2. Also, the alleged "within one year" meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions acquired in accordance with the guidelines.

Article 9: Transactions of the related party

1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 5, Article 8 herein.

The legal form and the real relationship should be considered in determining whether the counterparty is a related party.

2. Acquisition or disposal of real estate with a related party, or acquisition or disposal of other assets beyond real estate with a

related party, where the transaction amount also reaches twenty percent of the company's paid-in capitalization, ten percent of its total assets or over three hundred million NTD, except for trading on local government bonds, provisional buyback, sellback termed bonds, pledging or buying back local securities investment trust enterprises issued monetary market funds, the below data shall be presented to the audit committee for the consent by over one-half of the entire members and also present it to the management board for motioning in favor, before the transaction contract may be signed and the funds paid and which may also be commensurate to the stipulations set forth under Article 14 paragraph 8 and paragraph 9:

- (1) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
- (2) The reasons for selecting the related party as the counterparty.
- (3) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, 4, 5,6 of this Article.
- (4) The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.
- (5) Expected monthly cash income and expense statement within one year from the contracted month, and assessing the necessity of the transactions and the reasonableness of the funds application
- (6) Obtain an appraisal report issued by a professional appraiser in accordance with the provisions referred to above or a CPA's opinion.
- (7) The restrictions and other important stipulations of the transaction.

The transaction amount referred to above is calculated in accordance with Article 13 Paragraph 2, and the so-called within one year is the year prior to the date of the event; also, the portion that has been submitted under the Procedures to the Board of Directors and Audit Committee for approval needs not be included for calculation.

When reported to the Board for discussion in accordance with Paragraph 2 of this Article, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.

3. Acquisition of real estate shall adhere to the method below to evaluate the rationality of the transaction cost (when buying the same property's land and building combined, the transaction cost may be evaluated by any of the following methods separately on the land and the building)

- (1) Based on the related party transaction price plus the necessary capital interest and the cost of the buyer. The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.
  - (2) If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.
4. The cost of the real estate acquired by the Company from the related party should be assessed in accordance with Paragraph 3 of this Article; also, a CPA should be commissioned to review and express an opinion.
5. Acquisition of real estate with a related party, when encountering one of the following circumstances, may be exempt from the provisions of Paragraph III and Paragraph IV stipulations, but shall still be subject to the provisions of Paragraph II stipulations:
  - (1) The related party acquired the real property thereof through inheritance or as a gift.
  - (2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.
  - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
6. Paragraph 7 of this Article shall apply to real estate properties acquired from related parties if the valuation methods described in Paragraph 3 of this Article both produce a value that is lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:
  - (1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:
    1. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit

exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.

2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.
  3. The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.
- (2) The Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.
- (3) The alleged “successful trade” in the neighborhood referred to (1), (2) for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real estate.
7. Of real estate acquired from a related party, where the findings as evaluated per the provision’s paragraph III, paragraph IV, paragraph V and paragraph VI have all been lower than the transaction price, the below listed matters shall be processed:
- (1) A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets purchased at a higher price has been recognized as a loss for devaluation or disposed of, or appropriate compensation has been made; or restoration as is is



completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.

- (2) The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.
- (3) The results of handling according to the (1), (2) shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.

The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the Subparagraphs (1), (2) and (3), Paragraph 7.

Article 10: Acquisition or disposal of membership certificates or intangible assets or financial institutions' debt claims:

1. of acquisition or disposal of membership certificate or intangible asset, where the amount is at up to three million NTD, it shall be declared for the chairman's approval and also declare at the most recent board meeting thereafter, and of those exceeding three million NTD, it needs to declare separately with audit committee for the consent of over one-half of the entire members, and also declare for action by management board before it may proceed.
2. In principle, the Company does not acquire or dispose of debt of financial institutions. Acquisition or disposal of debt from/to financial institutions will be subject to Board of Directors' approval, and would require prior establishment of valuation and operating procedures.

Article 11: Engaged in the transactions of derivative instruments:

The company, when engaging in derivative product transaction, shall have it processed by adhering to the company's "Derivative Product Transaction Processing Procedure" and shall also caution for risk management and audit matter, through which to enforce the internal control system.

Article 12: Corporate merger, spins-off, acquisition, and assignment of shares

1. For the process of corporate merger, spins-off, acquisition, or assignment of shares, the Company should have a CPA, lawyer, or securities underwriter invited to comment on the reasonableness of the exchange ratio, acquisition price, cash distributed to the shareholders, and the other assets and then presented in the board meeting for resolutions. For mergers between the Company and wholly-owned subsidiaries directly or indirectly, or for mergers between wholly-owned subsidiaries directly or indirectly, it is not necessary to obtain a reasonable opinion from the aforementioned experts.
2. A public document to shareholders detailing important contractual content and matters relevant to the merger, demerger or acquisition

shall be prepared prior to the shareholders' meeting and be included along with the expert opinion under the previous paragraph and notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger or acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement. If the shareholders' meeting of either party cannot be convened and a resolution cannot be reached due to insufficient attendance, insufficient ballots, or other legal restriction, or the proposal is vetoed in the shareholders' meeting, the company immediately explain the root cause to the public, the subsequent operations, and the expected date of the shareholders' meeting.

3. The personnel participate in or are aware of the merger, spins-off, acquisition, or assignment of shares plan shall issue a written commitment of confidentiality not to disclose the plan to any third party before it is made known to the public and not to purchase the stock or equity-type securities of the companies related to the merger, spins-off, acquisition, or assignment of shares in their own names or others'.
4. The swap ratio or purchase price, except for in the following circumstances, shall not be changed arbitrarily; also, the tolerable changes of the swap ratio or purchase price should be detailed in the merger, spins-off, acquisition, or assignment of shares contract:
  - (1) Process cash capital increase and issue convertible bonds, stock dividends, bonds with stock option, preferred shares with stock option, stock options certificate, and other equity-type securities.
  - (2) Disposal of major assets that affects the Company's financial operations
  - (3) The occurrence of significant disasters and major changes in technology that affects the Company's shareholders' equity or securities price.
  - (4) The adjustment of treasury stock repurchased lawfully by any company that participates in the merger, spins-off, acquisition, or assignment of shares.
  - (5) Changes in the entity or number of companies involved in the merger, spins-off, acquisition, or assignment of shares.
  - (6) The other conditions for tolerable changes are defined in the contract and have been publicly disclosed.
5. The contract for merger, demerger, acquisition or transfer of shares shall stipulate relevant rights and obligations and the below matters:
  - (1) Event of default.
  - (2) The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off

- company due to a merger
- (3) The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.
  - (4) The process for the changes in the entity and the number of companies involved.
  - (5) The expected progress of the project and the schedule of completion.
  - (6) The process of convening a shareholders' meeting when the project is not completed on time.
6. After public disclosure of the information, if any company participating in the merger, demerger, acquisition or share transfer intends further to carry out a merger, demerger, acquisition or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition or share transfer, except where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, may be exempted from calling another shareholders' meeting to resolve the matter anew.
  7. For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with paragraph 3, paragraph 6, and paragraph 10 of this article.
  8. For the merger, spins-off, or acquisition of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting and the shareholders' meeting should be convened in the same day to resolve the matters related to the corporate merger, spins-off, and acquisition. For the assignment of shares of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting should be convened in the same day. For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the following information should be composed in writing and reserved for five years for inspection:
    - (1) Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.
    - (2) Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.
    - (3) Important documents and minutes of meeting: including the

documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.

9. For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the Company should have the information stated in Paragraph 1 and Paragraph 2 in the Section referred to above reported on-line to the FSC for records in the designated format within 2 days after the resolution reached by the Board of Directors.
10. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions in paragraph 8 and paragraph 9.

Article 13: Information Disclosure Procedures:

1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format:
  - (1) The acquisition or disposal of real estate from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.
  - (2) Process merger, spins-off, acquisition, or assignment of shares.
  - (3) Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.
  - (4) Acquisition or disposal of operational equipment, where the counterparty is not a related party and the transaction amount meets any of the following requirements:
    1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  - (5) The Company intends to invest more than NTD500 million in acquiring property by proprietary-land construction, leased-land construction, building-sharing construction, percentage-sharing construction or sale-sharing construction.

- (6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the five paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:
  1. Bond trade.
  2. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises
2. The transaction amount referred to above is calculated in accordance with the following methods.
  - (1) The amount of any individual transaction.
  - (2) The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;
  - (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property assets thereof within the same development project within the preceding year.
  - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

“Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.

Date of event: in principle refers to the transaction contract signing date, payment date, commission Closing Date, transfer date, the Board resolutions date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.
3. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in accordance with the prescribed format before the 10<sup>th</sup> day of each month.
4. When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.
5. The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters

related to the acquisition or disposal of assets ready at the Company's premise for at least 5 years unless otherwise provided by law.

6. The company, when encountering one of the following circumstances on announced, declared trading as regulated, shall file for an announcement declaration on relevant information onto the SFC-specified information declaration website, within two days from the very date in which the facts occurred: in circumstances where the initial trading has signed of relevant contract has been changed, terminated or abrogated.
  - (1) The originally signed trade contract is modified, terminated, or revoked.
  - (2) Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.
  - (3) Changes are made to the original announcement and report.

Article 14: Other matters

1. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary. A subsidiary's mandated announcement declaration standard, when reaching twenty percent of the company's paid-in capitalization or ten percent of its total assets, is to heed to the company's paid-in capital amount or total assets.
2. The company's subsidiaries, when acquiring or disposing assets, shall formulatean "Asset Acquisition or Disposal Processing Procedure" as regulated, which upon motioning by management board is distributed to various auditors and also declared before the shareholders' meeting seeking for consent, and the same also applies to all subsequent amendments.

The company shall monitor the status of its subsidiaries acquiring or disposing assets, where the supervision or management shall be sought in accordance with relevant company regulations and various subsidiaries' "Asset Acquisition or Disposal Processing Procedure."
3. If relevant personnel breach the processing procedure and its relevant legal/regulatory stipulations, the company may, depending on the severity, issue a reprimand, demerit, demotion, position suspension, pay reduction or other penalty action, and also utilize it as part of the internal review matters.
4. The portion of unspecified matters in the procedure shall be sought in accordance with the relevant legal/regulatory stipulations and relevant company chapters and regulations. If the competent authority has amended the original issuing letter for the acquisition or disposal of asset handling guidelines, the company shall comply with the provisions of its new letter.

5. The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”
6. If the Company has issued shares without face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital, as specified in the procedures, shall be calculated instead at 10% of equity attributable to parent company shareholders.
7. The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also declared with the management board for resolution voting, before declaring at the shareholders’ meeting it must seek for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or is in a written statement, the company shall combine the contest data and forward it to the audit committee and declare it for discussion before the shareholders’ meeting, and the same also applies to all subsequent amendments. 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.
8. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The processing procedure Article 7 paragraph II, Article 9 paragraph II, Article 10, Article 12 paragraph I may be commensurate.
9. The terms "all audit committee members" in paragraph 7 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## Appendix X

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

#### Regulations and procedures for engaging in derivatives trading (Before amendments)

##### 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 “Regulations and procedures for engaging in derivatives trading” 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. Derivatives defined in the Procedures refer to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits.
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-oriented” and “trading-oriented” transactions. Derivatives trading activities shall aim at maintaining the Company’s operating profit and avoiding risk derived from exchange rate, interest rate, or fluctuation of asset prices.
  - (1) Strategy of hedging-oriented derivatives transactions



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.

(2) Strategy of trading-oriented derivatives transactions

In light of subjective environment shift, adequate opportunity is chosen to enter into the market for engaging in derivative product "transaction-based trading," in anticipation to increase the nonoperating income or reducing the nonoperating expenditure for the company.

3. Maximum amount limits on derivatives contracts

(1) The position on hedging-oriented derivatives shall not exceed 40% of the Company's net worth in the previous period.

(2) The position on trading-oriented derivatives shall not exceed 5% of the Company's net worth in the previous period.

(3) The total sum of the foresaid derivative product transaction's unsettled contract may not exceed forty-five percent of the previous period's net valuation.

4. Maximum loss limit on total trading and individual contracts

(1) Hedging-oriented derivatives transactions:

The maximum loss limit of the hedging-oriented transactions shall not exceed 20% of the contract and is applicable to both individual and total trading contracts.

(2) Trading-oriented 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, and is applicable to both individual and total trading contracts.

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

Meaning the company derivative product transaction's executing unit. 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  
Making accounting vouchers and entries based on related transaction certificates.
- (5) Auditing department:  
Examining the appropriateness of internal control in the trading process anytime in accordance with the requirements of internal audit operation.
- 6. Performance evaluation
  - (1) Risk hedging transaction: Company book exchange (interest) rate costs and the loss or gain derive from engaging in derivative product trading are used as the basis for performance evaluation.
  - (2) Transaction-based trading: the loss or gain actually generated is used as the basis for performance evaluation.

Article 4: Operating procedures

- 1. Operating procedures for derivatives products
  - (1) The trading personnel are to underwrite the transaction per stipulations set forth under the specification Article 3.
  - (2) Once a trading closes, the trading personnel enter the trading form, which the verifying personnel verify whether the trading terms are consistent with that appeared in the trading form.
  - (3) Once a transaction is verified without discrepancy, the finance department's responsible settlement personnel ready the payment and relevant receipts on the trading expiry date to process the settlement matter.
  - (4) The accounting department is to produce the accounting entry, catalog the accounting process per the settlement voucher and relevant transaction statements.
- 2. Authorized quota of derivatives trading
  - (1) Hedging-oriented transaction

Unit: USD

| Authorization personnel | President | Chairman | Board of Directors |
|-------------------------|-----------|----------|--------------------|
| Contract sum            |           |          |                    |
| ≤10,000,000             | V         |          |                    |
| 10,000,000 ~ 30,000,000 | V         | V        |                    |
| > 30,000,000            | V         | V        | V                  |

(2) Trading-oriented transaction

Unit: USD

| Authorization personnel<br>Contract sum       | President | Chairman | Board of<br>Directors |
|---|-----------|----------|-----------------------|
| ≤ 5,000,000                                   | V         |          |                       |
| 5 million – 20 million dollars<br>(inclusive) | V         | V        |                       |
| > 20,000,000                                  | 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. The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.
2. 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 regulatory authority within two days after the losses occur.

Article 6: Accounting Procedures

The derivatives product transaction is processed according to the requirements and the Statement of Financial Accounting Standards (SFAS) published by the regulatory authority and the Company's own accounting standards.

Article 7: Internal Control System

1. Risk management measures
  - (1) Concern for credit risk: the counter party in the transaction shall be mainly the financial institutions that have good relationships with the Company and are able to provide professional information.
  - (2) 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) Liquidity risk: to ensure liquidity, the trading institution must have adequate equipment, information, and ability to trade on any market.
  - (4) Operational risk: the authorized quota and operational procedures shall be fully followed 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 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.
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) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
    - (2) 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.
    - (3) Accounting department shall periodically check with the Company's corresponding bank for account reconciliation or external confirmation. 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.
    - (4) The Auditing department shall mind any time the total trading amount has exceeded the maximum limit in the requirements.
    - (5) The Auditing department: are responsible for ex-post independent auditing on the whole transaction process.
  3. Periodical evaluation principle

The holding exposure on the derivative product transaction shall principally be evaluated by market value, and derivative products sought for business needs in hedging trading shall be evaluated twice every month and the others are evaluated once weekly, and the evaluation report shall be submitted to the executive management personnel as authorized by the management board.
  4. The supervision and management principles of the Board of Directors regarding derivatives trading
    - (1) The Board of Directors shall appoint senior managers (President) to monitor and control derivative trading risks at all times based on the following principles:
      1. Periodically evaluate whether the risk management procedures currently being used are suitable and whether they conform with the "Regulations and procedures for engaging in derivatives trading" formulated by the Company.
      2. 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 measures to deal with the situation.

- (2) Evaluate on a regular basis whether performance of derivative transactions is consistent with existing business strategies, and whether the risks undertaken are within the Company's tolerance.
- (3) Derivative transactions performed by personnel who have been authorized under the Company's derivative procedures shall be reported during the upcoming Board of Directors meeting.
- (4) 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.

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 "Regulations and procedures for engaging in derivatives trading," 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 derivative product trading audit report shall be declared along with the internal audit work yearly audit plan's execution status with competent government authorities, by the end of February in the following year, and also declare anomaly matters' improvement status with competent government authorities, prior to the end of May in the following 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 regulations and procedures for engaging in derivatives trading.

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 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 XI

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd. Operational Procedures for Loaning Funds to Others (Before amendments)**

- Article 1: The operating procedure has been formulated in accordance with Securities Transaction law Article 36-1 and stipulations set forth under “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.” The company, in processing capital lending to others operating procedures shall be sought per the stipulations set forth under the procedure. Unless otherwise provided in the other law and regulations.
- Article 2: Company capital pending to others’ subjects:  
The company, in compliance with Company Act Article 15 stipulations, may not lend capital to its shareholders or any other individuals, except under the below various circumstances:
1. Businesses that the Company has business dealing with.
  2. Businesses that are in need of short-term funding from the Company.  
The duration of "short-term" refers to a period of one year or one business cycle (whichever the longer).
- Article 3: The reason and necessity of capital lending to others  
The company, when engaging in capital lending with other companies or businesses due to business transaction relation, shall adhere to Article 4 paragraph 1 sub-paragraph 1’s stipulations; when deemed necessary to engage in capital lending for short-term capital financing, it shall be limited to the following circumstances:
1. The above situation applies only to businesses in which the Company holds more than 50% ownership interest, and that short-term funding is deemed necessary to support business activities.
  2. When it is necessary for other companies or businesses to seek short-term capital financing due to material purchasing or operational turnover needs.
  3. Other lending circumstances approved by the Company's Board of Directors.
- Article 4: Total and Individual Loan Limits:  
The total sum of the company’s capital lending to others may not exceed five percent of the net valuation of the most recent period’s CPA-audited or -reviewed financial statements. The limits for each borrower are set as follows according to their loans and reasons:
1. Companies or businesses with business transaction with the company whose individual lending amount may not exceed their most recent one year or the current year’s income goods or total goods sales amount with the company, whichever is the highest, at the time of capital lending.

2. Companies or businesses deemed necessary with short-term financing capital whose individual lending amount may not exceed three percent of the net valuation of the company's most recent period CPA-audited or -reviewed financial statements.

Article 5: Capital lending operating procedure:

1. Credit check:

The Company shall apply for the loan and the matter, and shall apply in writing in advance by applying for the loan and the company or the line number to check the relevant financial information and specify the amount, duration, use, guarantee situation and other matters of the loan.

After accepting the application, the company shall have the right and wrong business relationship between the loan and the object and the company, the financial status of the business, solvency and credit, profitability and borrowing purposes. After investigation and evaluation, and considering the degree of impact of the company's fund loans and totals on the company's operating conditions, it is proposed to report.

2. Securitization:

When lending capital, the Company shall obtain a secured promissory note of equivalent sum from the borrower. Movable or real estate properties shall be obtained as collateral if necessary. Of the preceding debt claim guarantee, if the debtor posts comparable means and creditable individual or company as the guarantee, in place of posting the collateral, the management board may reference the responsible department's credit check report to process it; when using a company as the guarantee, it shall check whether or not its articles of incorporation have defined a guarantee provision.

3. Scope of authorization:

The company, for processing capital lending to others matter, is to undergo responsible company department's credit check, present it to the president for approval and also submit it management board for resolution voting before it is processed, and which may not be authorized to other individuals for making the decision. The company, when having installed independent directors, shall also fully take into consideration the various independent directors' opinions, by enlisting whose consent or opposition clear-cut opinions and reason for opposition into the board meeting minutes.

Capital lending between the company and its subsidiaries, or among the company subsidiaries shall have a resolution voted before the management board per the preceding stipulations, and may also authorize the chairman to allot the loan by increment or through revolving access on the subject lending subject per the management board-voted certain cap and within the duration not exceeding one year.



The term a certain line of credit referred to in the preceding section is not only to comply with Article 4 paragraph II stipulations, where the authorized line of credit the company or its subsidiaries extend to a single enterprise in capital lending may not exceed ten percent of the net valuation or the company or a subsidiary's most recent period's financial statements.

Article 6: Loan Tenor and Interest Accrual

The loan period and time limit for each fund shall be limited to one year or one business cycle (whichever is longer) from the date of the loan.

The lending interest rate shall not be lower than the Company's short-term borrowing rate quoted by the financial institution of the highest rate. Loan interest shall be paid once a month; in special circumstances, however, interest payment interval can be adjusted as needed with the approval of the Board of Directors.

Article 7: Post-lending Management and Procedures for Overdue Loans

After the loan is released, the borrower and the guarantor's financial, business and related credit status should always be paid attention to. If there is any collateral, attention should be paid to the change of the guarantee value. In case of major changes, the chairman should be notified immediately. And follow the instructions for proper handling.

When the borrower repays the loan before the maturity or expiration of the loan, the interest payable shall be calculated first, and the principal shall be settled together with the principal before the cancellation of the promissory loan, etc., to the borrower or the mortgage of the mortgage.

When the borrower expires, the borrower shall pay off the principal and interest. Offenders The company may, in accordance with the law, dispose of and remedy the collateral or guarantor provided by the company.

Article 8: Internal control:

The Company shall maintain a registry of all loans granted. This registry will contain details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under this policy.

The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at once. Shall penalize the manager and spearheading personnel depending on the circumstance of violation.

The company, in response to circumstance change resulting in the subject no longer complying with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" stipulations or if the balance exceeds the limit, shall formulate an improvement plan, forward the relevant improvement plan to the audit committee, and also complete the improvement per the planned schedule,

by which to strengthen the company's internal control.

Article 9: Information disclosure:

1. The company shall upload the company and its subsidiaries' previous month's capital lending balance onto the Financial Supervisory Commission-specified information declaration website, prior to the tenth of every month.
2. The company, when its capital lending balance reaching one of the below standards, shall upload the information onto the SFC-specified information declaration website, within two days from the date in which the facts occurred.
  - (1) The aggregate balance of loans of funds to others by the company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - (2) The balance of loans of funds to others by the company and its subsidiaries for a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement
  - (3) The amount of new loans of funds to others made by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.
3. If a company subsidiary does not belong to domestic openly-listed companies, where said subsidiary having encountered the preceding paragraph 3's mandated announcement declaration matter, the company shall do so.
4. The Company shall assess its loan portfolio and make adequate bad loan allowances. The Company shall also make appropriate disclosures of relevant information in its financial reports and provide certified public accountants with any information necessary to proceed with their audits.

The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.

- Article 10:
1. A company subsidiary, when desiring to lend capital to others, needs to formulate a Capital Lending to Others Operating Procedure, and shall also have it processed per the defined operating procedure.
  2. A subsidiary shall also declare the processed capital lending amount, subject, period and the like to the company prior to the fifth of every month, provided that if it has not reach Article 9 paragraph II-defined standard, shall promptly notify the company, to facilitate filing for the announcement declaration.
  3. "Subsidiary" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of

Financial Reports by Securities Issuers.

4. The term net valuation the operating procedure refers to the balance sheet specified by Criteria for Compiling Financial Statements by Securities Issuers belonging to the parent company's owner's equity.

Article 11: The procedure shall undergo the consent by over one-half of the entire members of the audit committee and also be submitted to the management board for resolution voting, prior to declaring by the shareholders' meeting seeking for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contest data and forward to the audit committee and declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments.

If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.

## Appendix XII

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd. Procedures for Endorsing as a Guarantor (Before amendments)**

#### 1. Objective

To strengthen the financial management of the endorsement guarantee and reduce the business risk. The operating procedure has been formulated in accordance with Securities Transaction law Article 36-1 and stipulations set forth under "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies." The company, in processing capital lending operating procedures shall be sought per the stipulations set forth under the procedure.

#### 2. Scope of application

The term "endorsements/guarantees" as used in these Regulations refers to the following,

##### (1) Financing endorsements/guarantees:

1. Bill discount financing.
2. Endorsement or guarantee made to meet the financing needs of another company.
3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

(2) Customs duty endorsement/guarantee: Meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

(3) Other endorsements/guarantees: Meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

#### 3. Endorsement guarantee subjects

The company must guarantee the endorsement of the following companies:

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the company.

The company may render endorsement guarantee to companies it holds over ninety percent of the voting right directly or indirectly, and the amount also may not exceed ten percent of the company's net valuation, except when rendering an endorsement guarantee to subsidiaries which the company holds one hundred percent of the voting right directly or indirectly.

Where the company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital

contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

The capital contribution referred to in the preceding paragraph refers to the direct capital contribution of the company or the capital contribution of the company with 100% of the voting shares.

"Subsidiary" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term net valuation the procedure refers to the balance sheet specified by the Criteria for Compiling Financial Statements by the Securities Issuers that below to its parent company's owner's equity.

4. Endorsement guarantee amount

The total amount of the company's external endorsement guarantee is capped to not more than 45% of the company's net valuation in its most recent period's CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company's net valuation in its most recent period's CPA-audited, -authenticated, or -reviewed financial statements. The total amount of the overall endorsement guarantee the company and its subsidiaries may provide is capped to not more than 45% of the company's net valuation in its most recent period's CPA-audited, -authenticated, or -reviewed financial statements, and the endorsement guarantee amount to a single enterprise is capped to not more than 40% of the company's net valuation in its most recent period's CPA-audited, -authenticated, or -reviewed financial statements. The total sum of endorsement guarantees that the company and its subsidiaries may define, when exceeding fifty percent or more of the company's net valuation in its most recent period's CPA-audited, -authenticated, or -reviewed financial statements, shall also explain the necessity and rationality before the shareholders' meeting.

5. Level of decision and authorization

(1) The company, when processing an endorsement guarantee, shall adhere to guideline VI specified procedure for signature approval, and also subject to the management board's resolution voting before it may be processed. However, in support of timely needs, without breaching the operating procedure IV, the management board authorizes the chairman to rule first within the external guarantee cap, and to retro-actively present it before the most recent period's audit committee meeting seeking its consent retro-actively by over one-half of the entire members, before it is presented to the most recent board meeting for retro-active recognition, complete with the relevant matters on the state of implementation declared before the shareholders' meeting pending verification.

- (2) The company, if in need of exceeding the guideline IV specified endorsement guarantee cap for operating needs when processing an endorsement guarantee, shall seek the audit committee's consent before presenting the proposal for voting by the management board and also have over one-half of the directors issue a joint guarantee on the probable loss likely to occur due to the over the limit before the guarantee may be processed, and the operating procedure shall also be amended, declare before the shareholders' meeting for retro-active recognition, and if the shareholders' meeting disagrees, a plan shall be formulated to offset the over the limit portion within a certain period.
- (3) The company, prior to rendering endorsement guarantee to a subsidiary it holds the voting right reaching ninety percent or more directly or indirectly per the guideline III, paragraph II stipulations, shall also submit it to the company management board for resolution voting before the endorsement guarantee may be processed. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

The company, at the time of rendering endorsement guarantee for other individuals, while having set up independent directors, shall take into account various independent directors' opinions, and also enlist their clear-cut opinion as to their consent or opposition and their reason of opposing to the board meeting minutes.

#### 6. Endorsement guarantee processing procedure

- (1) When processing an endorsement guarantee, the finance unit shall adhere to the endorsement guarantee subject's application by reviewing its qualification item by item, and if the line of credit meets the operating procedure's stipulations and whether or not it reaches the announcement declaration criteria threshold, and shall also analyze the endorsement guarantee subject's operations, finances and credit standing and the like, through which to evaluate the endorsement guarantee risks and document the date, together with obtaining collateral where deemed necessary. A report clearly describing relevant endorsement guarantee content, reason and risk assessment findings is signed and presented to the chairman for approval and also declared with audit committee for the consent of over one-half of the entire members, before submitting it to the management board for discussion and consent before it proceeds; if it still falls within the specified line of credit, then the chairman is to proceed to approve it per the endorsement guarantee subject's credit standing level and financial status, and retro-actively declare with the most recent period's audit committee meeting seeking for a posthumous recognition.
- (2) The finance unit shall install a validation log on endorsement guarantee matters. After the endorsement is guaranteed by the board of directors or by the chairman of the board of directors, in addition to applying for the seal in accordance with the prescribed procedures, the promised guarantee, the name of the guaranteed company, the risk assessment result, the

endorsement guarantee amount, the board of directors or the chairman's decision date, The date of the endorsement, the content of the collateral and the conditions and date for the release of the guaranty responsibility are detailed for the time being, and the relevant documents, appointments and other documents should also be photocopied.

- (3) The finance unit shall compile a detailed schedule monthly report on canceled guarantee matters that have occurred, to facilitate control follow-up and processing of the announcement declaration, and shall also evaluate and classify whether or not any loss arising from a quarterly endorsement guarantee and also disclose the endorsement guarantee information in the financial statements and supply relevant information to the auditing CPA.
- (4) If the endorsement guarantee subject initially complies with the operating procedure III stipulations but later does not comply, or if the endorsement guarantee amount exceeds the defined cap due to a change in the basis for calculating the limit, or if whose net valuation in its most recent period's financial statement falls below one-half of its paid-in capitalization amount, the endorsement guarantee amount extended to said subject or the over the limit portion shall be canceled at the expiry of the defined period, or have the finance unit formulate a plan, subject to the chairman's approval, to have the entire limit canceled within a certain time period, and a relevant improvement plan is also to be forwarded to the audit committee, with improvements also to be completed per the scheduled plan.

If an endorsement guarantee subject is one of the subsidiaries with whose net valuation is lower than one-half of its paid-in capitalization, where the subsidiary's stocks have no par value or the par value per share is other than ten NTD, the paid-in capitalization amount as calculated per the preceding section paragraph IV stipulations shall heed to the sum of the capitalization plus the capital reserve – issuing premium.

- (5) Before the endorsement guarantee date expires, the finance unit shall voluntarily notify the guaranteed enterprise to recall the guarantee check retained at the bank or the debt claim institution, and also cancel any endorsement guarantee-related contract.

## 7. Internal control

- (1) The internal auditors of the Company shall conduct audit on the procedure for undertaking endorsements/guarantees and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at once.
- (2) The company shall process its endorsement guarantee per the specified procedure, and when coming across critical breach of regulations, shall penalize the manager and spearheading personnel depending on the circumstance of violation.

## 8. Endorsement seal safekeeping and procedure

- (1) The company shall utilize the company endorsement seal applied and registered with Ministry of Economic Affairs as the endorsement guarantee's dedicated endorsement seal, and said seal shall be placed for safekeeping by

designated persons and the endorsement application approved by the management board.

- (2) Once an endorsement guarantee is ruled by management board or approved by the chairman, the finance unit shall enter it into the “endorsement seal usage logbook,” which along with the approval records, the endorsement guarantee contract or guarantee check and the like of endorsed documents are approved by the finance executive, before the documents may be affixed by the endorsement seal at the safekeeping of the designated person’s office.
- (3) The endorsement seal administrator when applying the endorsement seal, shall verify whether or not there are approval records, and whether or not the “endorsement seal usage log book” has been approved by the finance executive and whether or not the application seal document coincides, before anyone may affix the seal. After applying the seal, it shall be noted on the endorsement seal usage log book.
- (4) When rendering guarantee for a foreign company, the guarantee letter the company issues is signed and endorsed by the chairman or the president as authorized by the management board.

9. Reporting procedures

- (1) Prior to the tenth of every month, the finance unit shall upload the company and its subsidiaries’ previous month’s endorsement guarantee balance, along with the revenue amount, onto the SFC-specified information declaration website by month, within the specified deadline.
- (2) Besides the announcement declaration on the endorsement guarantee balance by month, if the company and its subsidiaries’ endorsement guarantee amount processed reaches one of the standards below, the finance unit shall promptly file for the announcement declaration, within two days from the date in which the facts occurred.
  1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.
  2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement
  3. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
  4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.

If a company subsidiary does not belong to a domestic publicly-listed company, where said subsidiary shall file for announcement declaration matter per the preceding paragraph IV, the company shall do so.



The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.

10. Other matters

(1) The company's subsidiaries, when planning to endorse for others or render a guarantee, shall have it processed per said company's Endorsement Guarantee Operating Procedure.

A subsidiary shall also declare the processed capital lending amount, subject, period and the like to the company prior to the fifth of every month, provided that if it has not reached Article 9 paragraph II-defined standard, shall promptly notify the company, to facilitate filing for the announcement declaration.

(2) The company and its subsidiaries' endorsement guarantee processing status and relevant matters within every operating year shall be declared at the following year's shareholders' meeting pending verification.

(3) The portion of unspecified matters in the procedure shall be sought in accordance with the relevant legal/regulatory stipulations and relevant company chapters and regulations.

(4) The procedure shall undergo the consent by over one-half of the entire members of the audit committee, and also submitted to the management board for resolution voting, prior to declaring it before the shareholders' meeting seeking for its consent before it is implemented, and if any director expresses a dissenting opinion and which has also been documented or in a written statement, the company shall summarize the contested data and forward to the audit committee and declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments.

If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.

## Appendix XIII

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

Unit: shares

| Title                                    | Name  | Up to April 2, 2019 of the title transfer cutoff date |                   | Juristic person representatives |
|--|---|---|-------------------|---------------------------------|
|  |   | Number of shares held                                 | Shareholding rate |                                 |
| Chairman                                 | Hsun-Sheng Wang                                       | 2,854,230   | 3.68%             |                                 |
| Director                                 | Hsun-Hui Wang   | 1,864,768   | 2.40%             |                                 |
| Director                                 | Chairman of 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 paid-in capital of the Company is NTD775,600,000. The face 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 total number of shares held by all directors shall be 6,204,800 shares.
  3. The Company has set up an audit committee. Hence, the regulation on the number of shares held by supervisors is not applicable.
  4. Total number of shares held by all directors have reached the statutory limit.

## Appendix XIV

### **Chunghwa Chemical Synthesis & Biotech Co., Ltd. Impacts on business performance and earnings per share if the stock dividend proposal is approved during the annual General Shareholders Meeting.**

It is not applicable for 2019 shareholders' meeting since no stock dividend issuance for proposed distribution.