China Chemical & Pharmaceutical Co., Ltd.

Individual Financial Statements and Independent Auditor's Report

2019 and 2018

(Stock Code: 1701)

Addresses: No.23, Hsiang Yang Rd., Taipei City 100

TEL: (02)2312-4200

China Chemical & Pharmaceutical Co., Ltd.

The 2019 and 2018 Individual Financial Report and Independent Auditor's Report

Table of Contents

Item		Page/ Numbering / Index
I.	Cover	1
II.	Table of Contents	2 ~ 4
III.	Auditor's Report	5 ~ 9
IV.	Individual Balance Sheet	10 ~ 11
V.	Individual Income Statement	12
VI.	Individual Statements of Changes in Shareholders' Equity	13
VII.	Individual Cash Flow Statement	14 ~ 15
VIII.	Notes to the individual financial statements	16 ~ 58
	(1) Organization and operations	16
	(2) Financial reporting date and procedures	16
	(3) Application of new and revised standards and interpretation	16 ~ 18
	(4) Summary of significant accounting policies	18 ~ 25
	(5) Critical accounting judgments, estimates and key sources of assumption uncertainty	25 ~ 26
	(6) Summary of significant accounting titles	26 ~ 46
	(7) Related party transactions	46 ~ 49
	(8) Pledged assets	49
	(9) Significant contingent liabilities and unrecognized contractual commitments	49 ~ 50
	(10) Significant disaster loss	50

Item	Page/ Numbering / Index
(11) Significant subsequent events	50
(12) Other	50 ~ 58
(13) Notes of disclosure	58
(14) Segment information	58
IX. Significant accounting items statement	
Cash and cash equivalents	List 1
Notes receivable	List 2
Accounts receivable	List 3
Inventory	List 4
Statement of financial assets at fair value through other comprehensive income – non-current.	List 5
Investment under the equity method	List 6
Variation of cost and accumulated depreciation on class of real property, plant and facility.	Note 6 (8)
Shot-term borrowings	List 7
Accounts payable	List 8
Other payables	List 9
Long-term borrowings	List 10
Sales revenue	List 11
Cost of goods sold	List 12
Manufacturing overhead	List 13
Marketing expenses	List 14
Administrative expenses	List 15
Research and development expenses	List 16

Item	Page/ Numbering / Index
Financial costs	Note 6 (19)
Employees’ welfare and depreciation, amortization expenses	Note 6 (17)

Auditor's Report

(2020) Cai-Shen-Bao-Zi No. 19003804

To: China Chemical & Pharmaceutical Co., Ltd.:

Audit opinions

We have audited the accompanying individual balance sheet of China Chemical & Pharmaceutical Co., Ltd. and subsidiary as of December 31, 2019 and 2018, 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 my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the individual financial position of China Chemical & Pharmaceutical Co., Ltd. as of December 31, 2019 and 2018, and the results of its operation and individual statement of cash flows for the year then ended in conformity to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

The basis for opinions

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation 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. We are independent of China Chemical & Pharmaceutical Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Chemical & Pharmaceutical Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of my audit findings and the audit reports compiled by other certified public accountants, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual statements of China Chemical & Pharmaceutical Co., Ltd. in 2019. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. in 2019 included:

Accounting estimates for allowance losses in accounts and notes receivable

Description of the matter

For more details regarding accounts and notes receivable related accounting policies, please refer to Note 4 (7) of Financial Statements. For more details regarding the uncertainty of accounting estimate and hypotheses of allowances for accounts and notes receivable, please refer to Note 5 (2) of Financial Statements. For more details regarding the descriptions of accounting policies of accounts and notes receivable, please refer to Notes 6 (2) and 7 (2) of Financial Statements.

When evaluating whether the accounts and notes receivable have been impaired, China Chemical & Pharmaceutical Co., Ltd. draws up allowance for accounts and notes receivable by taking into account the overdue situation of accounts and notes receivable and the existence of individual signs of impairment. Where the assessment process involves the management's subjective judgment and where the amount of accounts and notes receivable is significant, it is listed as one of the key items for audit.

Audit response

We, the certified public accountant firm, conduct audit primarily through the audit procedures over the implementation of the allowance for loss of China Chemical & Pharmaceutical Co., Ltd. and its subsidiaries with partial holding (entered into account as investment in equity method) as enumerated below:

1. We evaluate the rationality and consistency of the policies to amortize the allowance for the loss in accounts and notes receivable.
2. We test into the effectiveness of establishment of the credit line to customers and approval of the relevant internal control system.
3. We conduct test aiming at the aging of accounts receivable to check and verify the rationality of the accounting aging range and the rate to calculate the allowance for the impairment.
4. Toward the significant impairment of accounts and notes receivable individually recognized by the management, we check and verify the appropriateness of the relevant supporting documents.
5. Toward accounts and notes receivable in significant amounts not received after the audit period, we check and evaluate the adequateness anew the relevant supporting data obtained.

Evaluation on inventory

Description of the matter

For the accounting policy of the assessment of inventory write-downs, please refer to Note 4 (11). For critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5(2).For other relevant disclosures, please refer to Note 6(3).

CCPC is mainly engaged in the production and sales of pharmaceuticals and health products. Because the price of medicine is vulnerable to the price of health insurance products and the products are subject to expiration dates, the risk of losses from inventory impairment is high. Since the balance of inventories has a significant weight on the financial statements, the variety of inventories is vast, and the management needs to apply judgment to evaluate the impairment or obsolescence of the value, the valuation of inventories was deemed to be one of the key audit matters.

Audit response

The matter includes CCPC and certain subsidiaries held by the Company (investments recorded using the equity method). The key auditing procedures we performed are as follows:

1. Evaluate the accounting policy of allowances for losses of investment impairment based on the

understanding of the Company's operations and the nature of its industry.

2. To confirm if the price used for net realizable value is corresponding to the company policy, and if the calculation of net realizable value of for individual inventory part number is correct with sampling test.
3. Obtaining details of outdated inventories identified by the management, reviewing relevant information, and verifying the accounting records.

Other Matters - Refer to the audits performed by other CPAs.

The companies invested in recorded using the equity method which have been included in the individual financial statements of CCPC are not audited by us, but are audited by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies included in the consolidated financial statements are based on the audit reports of other CPAs. The amounts of investments using the equity method for the aforementioned companies were NTD525,992 thousand and NTD517,375 thousand as of December 31, 2019 and 2018, respectively, which accounted for 5.33% and 5.57% of the total assets, respectively. The consolidated profit and loss recognized by the aforementioned companies were NTD52,999 thousand and NTD44,462 thousand for the year ending December 31, 2019 and 2018, respectively, which accounted for 11.19% and 14.41%, respectively, of the consolidated profit and loss.

Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements

The Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as the management determines is necessary to enable the preparation of the individual financial statements to be free from material misstatement whether due to fraud or error.

In preparing the individual financial statements, the management is responsible for assessing the ability of China Chemical & Pharmaceutical Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Chemical & Pharmaceutical Co., Ltd. or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Chemical & Pharmaceutical Co., Ltd..

Auditor's Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report. 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. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Chemical & Pharmaceutical Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Chemical & Pharmaceutical Co., Ltd. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Chemical & Pharmaceutical Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with the Group to express an opinion on the individual 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.

We communicate with those in charge of governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

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.

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. of 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

PricewaterhouseCoopers, Taiwan
March 26, 2020

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Taiwan, the Republic of China. 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.

China Chemical & Pharmaceutical Co., Ltd.
Individual Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Assets	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 60,881	1	$ 41,013	1
1150	Notes receivable-net	6 (2)	78,719	1	89,418	1
1160	Notes Receivable-Related Parties- net	7	151,748	2	131,447	1
1170	Notes accounts, net	6 (2)	194,379	2	193,488	2
1180	Account receivables-Related Parties-net	7	1,401,343	14	1,077,073	12
1200	Other receivables		33,364	-	25,070	-
1210	Other receivables - related parties	7	195,154	2	190,990	2
130X	Inventory	6(3)	1,032,567	10	1,081,083	12
1470	Other current assets		26,054	-	40,624	-
11XX	**Total current assets**		3,174,209	32	2,870,206	31
	Non-Current assets					
1517	The financial assets measured for the fair values through other comprehensive income- non-current	6 (4)	440,278	5	275,623	3
1550	Investment under the equity method	6 (5)	2,510,823	25	2,527,931	27
1600	Property, plant, and equipment	6(6), 7 and 8	3,546,057	36	3,421,013	37
1755	Right-of-use assets	6 (7)	35,104	-	-	-
1780	Intangible assets		10,126	-	14,149	-
1840	Deferred income tax assets	6 (20)	103,974	1	103,514	1
1900	Other non-current assets		52,562	1	73,678	1
15XX	**Total of Non-Current Assets**		6,698,924	68	6,415,908	69
1XXX	**Total assets**		$ 9,873,133	100	$ 9,286,114	100

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.
Individual Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (8)	$ 1,113,371	11	$ 916,001	10
2130	Contractual liability- current	6 (15)	1,499	-	1,499	-
2170	Accounts payable		256,400	3	319,549	4
2180	Accounts payable - related parties	7	20,634	-	30,873	-
2200	Other payables		264,887	3	221,120	2
2230	Current Tax Liability		31,370	-	59,312	1
2280	Lease liabilities - current	6 (23)	3,319	-	-	-
2300	Other current liabilities		5,291	-	4,798	-
21XX	**Total current liabilities**		1,696,771	17	1,553,152	17
	Non-current liabilities					
2540	Long-term borrowings	6 (9)	2,038,000	21	1,828,000	20
2570	Deferred tax liabilities	6 (20)	104,122	1	105,654	1
2580	Lease liabilities – non-current	6 (23)	31,900	-	-	-
2600	Other non-current liabilities	6 (10)	95,876	1	128,750	1
25XX	**Total of non-current liabilities**		2,269,898	23	2,062,404	22
2XXX	**Total liabilities**		3,966,669	40	3,615,556	39
	Equity					
	Capital stock	6 (11)				
3110	Common stock capital		2,980,811	30	2,980,811	32
	Capital surplus	6 (12)				
3200	Capital surplus		645,774	7	644,859	7
	Retained earnings	6 (13)				
3310	Legal reserve		496,980	5	459,993	5
3320	Special reserve		188,958	2	188,958	2
3350	Undistributed earnings		1,573,890	16	1,451,784	16
	Other equity	6 (14)				
3400	Other equity		48,105	-	(27,793)	(1)
3500	Treasury stock		(28,054)	-	(28,054)	-
3XXX	**Total equity**		5,906,464	60	5,670,558	61
	Significant contingent liabilities and unrecognized contractual commitments	6(6), 7 and 9				
3X2X	**Total Liabilities and Equity**		$ 9,873,133	100	$ 9,286,114	100

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd. Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, Yi-Chun
Representative: Wang, Hsun-Sheng

China Chemical & Pharmaceutical Co., Ltd.
Individual Income Statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenue**	6(15) and 7	$ 3,596,186	100	$ 3,273,028	100
5000	**Operating cost**	6(3) (18) and 7	(2,691,817)	(75)	(2,462,946)	(75)
5900	**Gross profit**		904,369	25	810,082	25
5910	Unrealized sales gains		(93,524)	(2)	(79,776)	(2)
5920	Realized sales gains		79,776	2	72,688	2
5950	**Operating gross profit**		890,621	25	802,994	25
	Operating expenses	6 (18)				
6100	Marketing expenses		(115,961)	(4)	(105,747)	(3)
6200	Administrative expenses		(139,879)	(4)	(151,726)	(5)
6300	Research and development expenses		(293,366)	(8)	(262,331)	(8)
6450	Expected credit impairment loss	12 (2)	(2,972)	-	(62)	-
6000	**Total operating expenses**		(552,178)	(16)	(519,866)	(16)
6900	**Operating profit**		338,443	9	283,128	9
	Non-operating revenues and expenses					
7010	Other income	6(16) and 7	34,514	1	38,099	1
7020	Other profits and losses	6 (17)	1,546	-	4,310	-
7050	Financial costs	6 (19)	(39,025)	(1)	(35,043)	(1)
7070	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	6 (5)	105,480	3	142,113	4
7000	**Total non-operating revenues and expenses**		102,515	3	149,479	4
7900	**Net profit before taxation**		440,958	12	432,607	13
7950	Income tax expenses	6 (20)	(56,268)	(1)	(62,737)	(2)
8200	**Net income**		$ 384,690	11	$ 369,870	11
	Other comprehensive profit or loss (net)					
	The items that are not re-classified as profit or loss					
8311	Reevaluation of determined benefit plan	6 (10)	($ 3,018)	-	($ 17,168)	(1)
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (4)	131,342	3	(35,642)	(1)
8330	The proportion of other comprehensive incomes from subsidiary, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(7,525)	-	(5,630)	-
8349	Incomes tax related to titles not subject to reclassification	6 (20)	603	-	5,340	-
8310	**Total amount of items not reclassified to profit or income**		121,402	3	(53,100)	(2)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences from the translation of financial statements of foreign operations		(39,909)	(1)	(10,917)	-
8380	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.		(709)	-	(99)	-
8399	Income tax related to items possibly be reclassified	6 (20)	7,982	-	2,851	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(32,636)	(1)	(8,165)	-
8300	**Other comprehensive profit or loss (net)**		$ 88,766	2	($ 61,265)	(2)
8500	**Current period other comprehensive income (Gross)**		$ 473,456	13	$ 308,605	9
	Earnings per share	6 (21)				
9750	**Basic and diluted earnings per share**		$ 1.29		$ 1.24	

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd. Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, Yi-Chun
Representative: Wang, Hsun-Sheng

China Chemical & Pharmaceutical Co., Ltd.
Individual Statements of Changes in Shareholders' Equity
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

			Capital surplus			Retained earnings			Other equity				
	Additional notes	Common stock capital	Issuance premium	Treasury stock trade	Changes in the ownership equity on a subsidiary	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of 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	Treasury stock	Total equity
2018													
Balance as of January 1, 2018		$ 2,980,811	$ 578,416	$ 64,935	$ 1,308	$ 428,920	$ 188,958	$ 1,319,885	($ 57,143)	$ -	$ 85,107	($ 28,054)	$ 5,563,143
Applicable influence value of modified retrospective approach		-	-	-	-	-	-	(23,173)	-	85,739	(85,107)	-	(22,541)
Balance on January, 1 after adjustment		2,980,811	578,416	64,935	1,308	428,920	188,958	1,296,712	(57,143)	85,739	-	(28,054)	5,540,602
Net income		-	-	-	-	-	-	369,870	-	-	-	-	369,870
Current period other comprehensive income	6 (14)	-	-	-	-	-	-	(19,614)	(8,165)	(33,486)	-	-	(61,265)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	350,256	(8,165)	(33,486)	-	-	308,605
The 2017 appropriation and distribution of earnings	6 (13)												
Legal reserve		-	-	-	-	31,073	-	(31,073)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	356	-	-	-	-	-	-	-	-	356
Changes in the ownership equity on a subsidiary		-	-	-	(156)	-	-	-	-	-	-	-	(156)
Equity instrument at fair value through other comprehensive income statement	6(4)(14)	-	-	-	-	-	-	14,738	-	(14,738)	-	-	-
Balance at December 31, 2018		$ 2,980,811	$ 578,416	$ 65,291	$ 1,152	$ 459,993	$ 188,958	$ 1,451,784	($ 65,308)	$ 37,515	$ -	($ 28,054)	$ 5,670,558
2019													
Balance as of January 1, 2019		$ 2,980,811	$ 578,416	$ 65,291	$ 1,152	$ 459,993	$ 188,958	$ 1,451,784	($ 65,308)	$ 37,515	$ -	($ 28,054)	$ 5,670,558
Net income		-	-	-	-	-	-	384,690	-	-	-	-	384,690
Current period other comprehensive income	6 (14)	-	-	-	-	-	-	(9,437)	(32,636)	130,839	-	-	88,766
Current period other comprehensive income (Gross)		-	-	-	-	-	-	375,253	(32,636)	130,839	-	-	473,456
The 2018 appropriation and distribution of earnings	6 (13)												
Legal reserve		-	-	-	-	36,987	-	(36,987)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(238,465)	-	-	-	-	(238,465)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	474	-	-	-	-	-	-	-	-	474
Changes in the ownership equity on a subsidiary		-	-	-	441	-	-	-	-	-	-	-	441
Equity instrument at fair value through other comprehensive income statement	6(4)(14)	-	-	-	-	-	-	22,305	-	(22,305)	-	-	-
Balance as of December 31, 2019		$ 2,980,811	$ 578,416	$ 65,765	$ 1,593	$ 496,980	$ 188,958	$ 1,573,890	($ 97,944)	$ 146,049	$ -	($ 28,054)	$ 5,906,464

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Representative: Wang, Hsun-Sheng

Manager: Wang, Hsun-Sheng

Accounting Supervisor: Huang, Yi-Chun

China Chemical & Pharmaceutical Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from operating activities			
Current year net profit before taxation		440,958	432,607
Adjustments			
Profits and loss			
Realized gross profit		(79,776)	(72,688)
Unrealized gross profit		93,524	79,776
Depreciation expenses	6(6)(7)(18)	166,071	166,090
Amortization expenses	6 (18)	3,958	3,553
Expected credit impairment loss	12 (2)	2,972	62
Interest expenses	6 (19)	39,025	35,043
Interest revenue	6 (16)	(5,199)	(5,081)
Dividend income	6 (16)	(9,900)	(10,400)
Loss (gain) in disposal of real estate, plant buildings, equipment & facilities	6 (17)	-	(937)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)	(105,480)	(142,113)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Bills receivable (including related party and non-related party)		(12,736)	(20,680)
Accounts receivable (including related party and non-related party)		(321,896)	(173,631)
Inventory		48,516	(286,538)
Other receivables		(8,294)	1,557
Other receivables - related parties		(7,267)	(8,005)
Other current assets		14,570	15,438
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		-	1,499
Accounts payable including related party and non-related party)		(73,388)	114,829
Other payables (including related party and non-related party)		26,492	25,557
Other current liabilities		493	1,832
Net determined benefit liability		(28,304)	(17,314)
Cash inflow from operating activities		184,339	140,456
Interest received		5,199	5,760
Interest payment		(39,267)	(33,738)
Income tax payment		(77,618)	(25,912)
Dividends received		94,510	128,109
Net cash inflow from operating activities		167,163	214,675

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive profit or loss	6 (4)	(83,200)	(24,554)
Value of disposal of financial assets measured at FVTOCI	6 (4)	49,887	27,466
Acquisition of investment under the equity method	6 (5) and 7	(23,000)	(5,000)
Purchase of property, plant, and equipment	6 (22)	(247,434)	(158,359)
Disposal of property, plant and equipment		-	1,737
Purchase of intangible assets		(648)	(4,753)
Decrease in deposits paid		1,311	1,090
Increase of other non-current assets		(5,068)	(9,239)
Net cash outflow from investing activities		(308,152)	(171,612)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (23)	197,370	(44,427)
Current borrowing amount of long-term loan	6 (23)	250,000	847,000
Current repaying amount of long-term loan	6 (23)	(40,000)	(698,000)
Increase in deposits paid	6 (23)	(4,570)	(1,578)
Cash dividend released	6 (13)	(238,465)	(178,849)
Reimbursement of the lease principal	6 (23)	(3,478)	-
Net cash inflow (outflow) from financing activities		160,857	(75,854)
Increase (decrease) in cash and cash equivalents for the current period		19,868	(32,791)
Balance of cash and cash equivalents, beginning of period	6 (1)	41,013	73,804
Balance of cash and cash equivalent, end of period	6 (1)	60,881	41,013

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

Chairman: Chunghwa Chemical Synthesis & Biotech Co., Ltd. Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, Yi-Chun
Representative: Wang, Hsun-Sheng

China Chemical & Pharmaceutical Co., Ltd.
Notes to the individual financial statements
2019 and 2018

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

(1) China Chemical and Pharmaceutical Co., Ltd. (hereinafter referred to as "The Company") was established in the Republic of China with the major business in manufacturing and selling pharmaceutical products and health products as well as import business of related medical appliances; commission construction company to build commercial buildings for rent and sale business.

(2) The Company was established on March 12, 1952 and the stock of The Company was listed in Taiwan Stock Exchange since February 9, 1962.

2. Financial reporting date and procedures

These individual financial statements were authorized for issuance by the Board of Directors on March 9, 2020.

3. Application of new and revised standards and interpretation

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The new publication, amendments, and revision of the 2019 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
IFRS 23 "Handling of uncertain income tax"	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

Except for the following statements, the Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

IFRS 16 "Leases"

1. The International Financial Reporting Standards No. 16 "Leases" supersedes IAS 17 "Leases" and the related explanations and explanative announcements. IFRS 16 "Leases" requires the lessee to recognize the right-to-use assets and lease liabilities (except for the lease period less than 12 months or low value assets lease); lessor accounting treatment is still the same, according to the two operating lease and finance leasing types of treatment with only the relevant disclosure requested.
2. Following the IFRSs approved by FSC in 2019, the Company has elected "the modified retrospective approach" to comply with the requirements under IFRS 16, and as such, no comparative information was required to restate. The Company has increased the right-of-use (ROU) asset and lease liability by NT$ 21,107, respectively, on January 1, 2019 to reflect the lessee contracts.

3. The following practical expedients were adopted, when IFRS16 standard was first applied by the Company:
   (1) Apply IFRS 16 by not reassessing whether the existing contracts contain leases identified under by IAS 17 and IFRIC 4(International Financial Reporting Interpretations Committee)
   (2) Applying single discount rate to a lease portfolio with reasonably similar characteristics
   (3) Leases ended before December 31, 2019 were treated as short-term leases. A total rental expense of NT$ 3,198 was recognized for the transaction.
   (4) Original direct costs were excluded from the measurement of right-of-use assets
   (5) For lease term determination, an option not to terminate was applied when dealing optional periods.
   (6) Right-of-use assets were adjusted according to provision made for loss-making leases.
4. An weighted-average interest rate of 1.15%, the incremental borrowing interest rate, was used when calculating the present value of the lease liabilities
5. Adjustments made between the present value calculated based the lease commitment disclosed under IAS 17 using the incremental borrowing rate at the initial adoption date and the lease liabilities recognized on January 1, 2019 are as follows:

Disclosure of operating lease commitments under IAS 17, as of December 31, 2018	$ 6,946
Less: short-term lease exemptions	(3,198)
Add: adjustments on the optional period assessment with reasonable certainty	20,288
Total lease contracts on January 1, 2019 from recognizable lease liabilities due to IFRS 16 application	$ 24,036
The Company's incremental borrowing interest rate at initial application date.	1.15%
Total recognized lease liabilities January 1, 2019 due to IFRS 16 application	$ 21,107

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The new publication, amendments, and revision of the 2020 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Modification of IAS 1 and IAS 8- "Disclosure initiative-Definition of materiality"	January 1, 2020
Amendment to IFRS 3 "Definition of business"	January 1, 2020
"Interest Rate Benchmark Reform" (IFRS 9, IAS 39 and Amendments to IFRS 7)	January 1, 2020

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

(3) IFRS issued by IASB but not yet endorsed by the FSC

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting

	Standards Board
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2021
"Classification of Liabilities as Current or Non-Current" (Amendments to IAS 1)	January 1, 2022

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

4. Summary of significant accounting policies

The principal accounting polices applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

(1) Compliance Statement

This financial report is drafted according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

1. Except for the following items, these statements have been prepared under the historical cost convention:
   (1) Financial assets at fair value through other comprehensive income
   (2) The defined benefit obligation are recognized according to the pension fund assets deducting the present value of the defined benefit obligation.
2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as "IFRS" hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is required while using the Company's accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.

(3) Foreign-currency translations

The items in the Company's individual financial report are measured in the currency (*i.e.* the functional currency) prevailing in the primary economic environment. The individual financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
   (4) All exchange gains and losses are reported in the "Other profits and losses" account of the comprehensive income statements.

2. Translation of the financial statements of foreign operations

(1) The operating results and financial position of all the Group's entities, affiliated enterprises and joint arrangements in the consolidated financial statements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities presented in the balance sheet are translated at the closing exchange rates prevailing on the balance sheet date;

B. Income and expenses presented in the Statement of Comprehensive Income are translated at the average exchange rates for the period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(2) When a foreign operation for partial disposal or sale is an associate or joint arrangement, classifying the exchange difference of comprehensive income by portions as part of gain on sale or loss of the net income or loss for current period. Only when The Company even remains partial equity of previous associate or joint arrangement but loses the significant influence on a foreign operation of an associate or loses the joint control over a joint arrangement of a foreign operation, the disposal will be full benefit of the foreign operation.

(3) When a foreign operation for partial disposal or sale is subsidiary, categorizing as the accumulated exchange difference of comprehensive income by portion for recognition which belongs to the non-controlling interests of that foreign operation. Only when The Company even retains partial equity of a previous subsidiary but loses the control of the subsidiary of the foreign operation, the disposal will be full benefit of the foreign operations.

(4) <u>Criteria for distinguishing Current or Non-Current on the Balance Sheet</u>

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Company classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Expected to be repaid within 12 months of the balance sheet date

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies liabilities that do not meet any of the above criteria as non-current assets.

(5) Cash equivalents

Cash equivalents are investments that are for short-term investing with high liquidity. That investment can be exchanged to a fixed amount of money and the risk of value change is really low.

(6) Financial assets at fair value through other comprehensive profit or loss

1. Means the initial recognition is an irrevocable decision, to recognize changes in fair value for equity instrument of not held for trading as other comprehensive income.
2. The Company adopts trade date accounting for financial assets at fair value through other comprehensive income which are in correspondence with trade practice.
3. On initial recognition, The Company recognized transaction costs plus the fair value for measurement, and subsequently measured with fair value:
   If the change in fair value of equity instrument is recognized as other comprehensive income, while being derecognized, the previous accumulated profits or losses which were recognized in other comprehensive income cannot subsequently be re-classifying to profit and loss, that is to list under retained earnings. When the equity to obtain dividends is claimed, the economic benefits relating to the dividends may inflow, and if the amount of dividend can be measured reliably, The Company will recognize dividend in income.

(7) Accounts receivable and notes

1. Means according to the agreement, with the right to collect the equity consideration and bills in exchange for those goods or services on any other terms and conditions.
2. Due to the limited influence of discounting , The Company measures the initial invoice amount for any short-term accounts receivable and bills of unpaid interests.

(8) Impairment of Financial Assets

The Company measures allowance for loss according to the expected credit loss amount for 12-month after considering all reasonable and provable information (including forward-looking one) for financial assets at amortized cost and accounts receivable with significant financing components on each balance sheet date; for credit risk significantly increases after the initial recognition, measures allowance for loss according to expected credit loss within duration; for accounts receivable without significant financing component, measures allowance for loss according to expected credit loss within duration.

(9) The de-recognition of financial assets

When the Company’s contractual rights received from the cash flows of financial assets are invalid, the financial assets will be written-off.

(10) Operating lease (lessor)

Any incentives for lessee after deducting the leasehold income of operating lease, are recognized as net income or loss of current period according to the straight-line method for amortization during the lease term.

(11) Inventory

The inventory is measured by the lower one between cost and net realizable value, the carry-over cost is calculated according to weighted average method. The costs of finished goods and work in process include material, direct labor, other direct costs and manufacturing cost relating to production (allocated based on normal capacity), however, the borrowing costs is excluded. The item by item method is adopted while comparing the lower one between cost and net realizable value, the net realizable value means the balance of estimated selling price deducts the estimated cost and relevant variable cost of sales.

(12) Investment accounted for under the equity method/ subsidiaries and associates

1. The subsidiaries of the Company refers to the business entities (including the structured business entity) controlled by the Company. When the Company is exposed to the variable return of the subsidiary or is entitled to such variable return; also, when the Company can influence such variable return through the power over the subsidiary, the Company controls the subsidiary.
2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses *pro rata* to the shareholder percentages.
4. The term "associates" as set forth herein refers to the entities upon which the Company holds significant effect but holds no controlling power, normally as the shares of more than 20% of the voting power held by the Company either directly or indirectly. Over the investment in associates, the Company adopts equity method, recognizing them at cost at the moment of acquisition.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
6. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Company will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Company.
8. When the Company disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Company loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

9. As expressly provided for in “Regulations Governing the Preparation of Financial Reports by Securities Issuers”: The profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(13) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset’s carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Property, plant and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant and equipment are significant, it is depreciated separately.
4 The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of change. Useful lives of assets are as follows:

Buildings and structures	20 years ~ 60 years
Machinery equipment	5 years ~ 15 years
Transport equipment	3 years ~ 9 years
Other equipment	3 years ~ 15 years

(14) Right-of-use assets/lease liabilities, from lessees transaction

Applicable in 2019

1. Right-of-use assets and lease liabilities were recognized on the day when the assets were made available for the Company For short-term leases or leases of low-value assets, payments are recognized as an expense on a straight-line basis over the lease term
2. Lease liability is recognized, at the lease commencement, as the present value of the unpaid future payments, discounted at the Group’s incremental borrowing interest rate, which covers:
   (1) fixed payments less any lease incentives receivable;
   (2) variable lease payments that depend on an index or a rate
   It is subsequently measured on an amortized cost basis using an interest method with interest expense recognized Modification of lease term or payments that was not part of the original lease contract triggers lease liability reassessment with corresponding adjustments to right-of-use assets
3. At the lease commencement date, right-of-use asset is recognized through costs with the following components:
   (1) the amount equal to the lease liability at its initial assessment
   (2) lease payments made at or before the commencement of the lease
   (3) any initial direct costs incurred by the lessee; and
   (4) an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

After the commencement date, the lessee shall measure the right-of-use asset applying a cost model, and depreciate asset from the commencement date to the earlier of the end of the useful life or the end of the lease term Any readjustments made to lease liability after it is reassessed; the corresponding adjustment will made to right-of-use asset.

(15) Operating lease (leases)

Applicable in 2018

After deducting the incentive from lessor, payments made under operating lease are amortized on straight-line basis and recognized as current profit or loss.

(16) Intangible assets

The computer software uses acquisition cost as the accrual basis with straight-line method for amortization to evaluate the economic life, which gets the useful life at five years.

(17) Losses in non-financial asset

The company estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(18) Loans

The borrowing is measured by the amount which is recognized initially as the fair value deducts the transaction costs, and subsequently to measure the price after deducting transaction costs and any difference of redemption value with effective interest method based on the amortized cost during the borrowing term.

(19) Account and note payables

1. Means the debt due to buy on credit for raw materials, goods or service and the bills payable resulted from operating or non-operating.
2. Due to the limited influence of discounting, The Company measures the initial invoice amount for any short-term account and note payables of unpaid interests.

(20) De-recognition of financial liabilities

The Company de-recognizes financial liabilities for the performance of obligations, cancelation or expiration as stated in the contract.

(21) Financial guarantee contract

For a financial guarantee contract, when a specific debtor is unable to repay the debt at maturity in accordance with the original or modified debt instrument terms, the Company must pay certain benefits to reimburse the contract holder for the loss incurred. Measured with the transaction cost adjusted by the fair value of the trade date for initial recognition, and subsequently to measure the higher one between the best estimation of expenditure needed to clean up the present obligation according to the date of balance sheet and the balance of the initial recognized amount deducts the accumulated amortization which has been recognized.

(22) Employee benefits

1. Short-term employee benefits
   Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.
2. Pension
   (1) Defined contribution plan
   The defined contribution plans are to recognize the pension fund to be contributed as the net periodic pension cost for current period according to the accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.
   (2) Defined benefit plan
   A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated by the actuary with projected unit credit method, the discount rate uses the date of balance sheet and the currency for defined benefit as well as the market yield of government bonds (on the date of balance sheet) with consistent period.
   B. The revaluation amount of the defined benefit plan is recognized upon occurrence in the "Other comprehensive profit and loss" and included in the retained earnings.
   C. The expense associated with prior service cost is recognized immediately as a profit or loss.
3. Termination benefits
   Resignation benefit refers to the benefit for the employee who is terminated from employment before the normal retirement date or who has decides to accept termination of employment in exchange for the benefit. The Company has resignation benefit recognized as expense when the invitation of resignation benefit can no longer be withdrawn or recognizing the related restructuring expense whichever is sooner. The benefit that is not expected to be liquidated within 12 months after the balance sheet date should be discounted.
4. Employee compensation and remuneration to directors and supervisors
   Employee compensation and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. For employee bonus with stocks, the basis to calculate the stock is the closing price of the day prior to the resolution of the board meeting.

(23) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax liabilities caused by the goodwill originated from the initial recognition will not be recognized. If the deferred income tax originates

from the initial recognition for assets or liabilities of transactions (excluding business combination), and the transactions do not affect the accounting profit or taxable profit at that time(tax loss), then not to recognize. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Treasury stock

Stocks of The Company possessed by the subsidiary are being considered as treasury stock.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Recognition of revenue

Merchandising- retail

1. The Company manufactures and possesses the agency for selling medical products and the sales revenue is recognized when the control of products has been transferred to the customer, which means that the product has been delivered to the customer. The customer owns the discretionary power for the channel and price of the products and The Company doesn't have any executory performance obligation that may affect the time for the customer to accept products. When the product is being delivered to the designated place, the risk of obsolescence and loss will be transferred to the customer, besides, when the customer accepts the product according to the sales contract, or any objective evidence which can prove all acceptance criteria have been met, the delivery of goods is firm.
2. The accounts receivable is recognized when the goods are delivered to the customer, since by that time, The Company holds unconditional right for the contract price, the consideration can be charged to the customer as time goes by.

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

The preparation of these financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such estimation and assumption contain risk of being significantly adjusted for the carrying amount of asset or liabilities in the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(27) Critical judgments concerning the application of accounting policies

none.

(28) Critical accounting estimates and assumptions

1. Impairment assessment on account and note receivable

Upon reassessing the allowance, the Company is required to exercise its judgment to determine

future recoverability of the account receivables Factors affecting future recoverability of the account receivables include customer financial status, historical records, current economy conditions, etc. The Company classifies the accounts receivable of the customers according to the features of trading credit risk with simplified method to prepare matrix and loss-rate approach as a base to estimate the expected credit loss. Allowance review involves expectations of probable future events based on the then current conditions at the balance sheet date. The actual outcomes may differ from the estimates and result in significant changes

Please find Note 6(2) and 7(2) for the book amount of the accounts receivable and note receivable of the Company on December 31, 2019.

2. Inventory valuation

Since inventory shall be measured on the basis of the lower the cost and net realizable value, the Company must determine the net realizable value of inventory of the Balance Sheet date with judgment or estimation. Due to the rapid changes in technology, the Company assesses the amount of inventory normal wear and tear, obsolescence, or poor marketability of the Balance Sheet date; also, has the inventory cost offset till it is equivalent to the net realizable value. This inventory evaluation is mainly based on the future demand for a specific period of time; therefore, a significant change is expected.

Please refer to Note 6 (3) for the carrying amount of the inventory in The Company on December 31, 2019.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 1,746	$ 1,719
Check deposits	48,467	26,161
Current deposits	10,668	13,133
	$ 60,881	$ 41,013

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Company's cash and cash equivalents pledged to others as collateral.

(2) Note receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 78,891	$ 90,039
Less: Allowance for losses	(172)	(621)
	$ 78,719	$ 89,418
Accounts receivable	$ 195,154	$ 196,208
Less: Allowance for losses	(775)	(2,720)
	$ 194,379	$ 193,488

1. The aging analysis of accounts receivable and bill receivable is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Within 30 days	$ 194,804	$ 78,891	$ 194,830	$ 90,039
31 to 90 days	-	-	-	-
91 to 180 days	-	-	1,219	-
Over 181 days	350	-	159	-
	$ 195,154	$ 78,891	$ 196,208	$ 90,039

The aforementioned aging analysis is based on the overdue days.

2. Account and note receivables as of December 31, 2019 and December 31, 2018 were from customer contracts. Account receivables (including note receivables) and the associated allowanced made stood at NT$ 307,820 and NT$ 1,201, respectively, on January 1, 2018.
3. The exposure amounts of the maximum credit risk which can represent the accounts receivable and bill receivable of the Company without considering the possessed collateral or other credit enhancement condition on December 31, 2019 and 2018 are its book value.
4. The accounts receivable in the account list of The Company does not possess any collateral.
5. Please find Note 12, (2) for the relevant explanation about credit risk.

(3) Inventory

	December 31, 2019		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 628,450	($ 2,722)	$ 625,728
Material	105,718	(175)	105,543
Work in process	200,374	(976)	199,398
Finished products	87,713	(505)	87,208
Merchandise inventory	14,727	(37)	14,690
	$ 1,036,982	($ 4,415)	($ 1,032,567

	December 31, 2018		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 658,918	($ 2,341)	$ 656,577
Material	107,385	(305)	107,080
Work in process	217,958	(4,322)	213,636
Finished products	90,919	(599)	90,320
Merchandise inventory	32,780	(19,310)	13,470
	$ 1,107,960	($ 26,877)	$ 1,081,083

The cost of inventory recognized as expense of The Company 2019 and 2018:

Item	2019	2018
Cost of inventory sold	$ 2,682,501	$ 2,435,411
Loss of price decline of inventory and obsolescence loss	9,316	27,535
	$ 2,691,817	$ 2,462,946

(4) Financial assets at fair value through other comprehensive profit or loss

Item	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	$ 165,694	$ 193,276
Non-listed shares, emerging stocks	113,910	30,710
	279,604	223,986
Evaluation adjustment	160,674	51,637
	$ 440,278	$ 275,623

1. The Company decides to classify the stock of strategic as investment financial assets at fair value through other comprehensive income and the fair value of that investment on December 31, 2019 and 2018 are its book value.
2. Fair-value assets disposition made in 2019 and 2018 were stock trading of NT$ 49,887 and NT$ 27,466, respectively. Disposition profits were NT$ 22,305 and NT$ 14,738, respectively.
3. The Company, in December, 2019, acquired 5.37% equity from Mega Pro Biomedical Co. for an amount of NT$ 83,200.
4. The details of financial assets at fair value through other comprehensive income which recognized in income and comprehensive income are as follows:

Item	2019	2018
Equity instruments		
Recognized in comprehensive income of changes in fair value.	$ 131,342	($ 35,642)
The accumulated profits change to retained earnings due to de-recognition.	$ 22,305	$ 14,738
Recognized as dividend in income in profit.		
The party still in possession at the end of this term.	$ 9,900	$ 10,400

(5) Investment under the equity method

	December 31, 2019	December 31, 2018
Subsidiaries:		
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	$ 418,385	$ 422,095
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	213	524
Chunghwa Holding Co.,Ltd (Chunghwa Holding)	1,110,933	1,157,711
Tairung Enterprise Co., Ltd. (Tairung Enterprise)	74,867	72,367
Affiliate business:		
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	450,064	451,780
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	429,852	411,882
PHERMPEP CO., LTD. (PHERMPEP)	30,900	15,963
	2,515,214	2,532,322
Less: Change recognition to treasury shares-possessed by the subsidiary.		
Stock of The Company	(4,391)	(4,391)
	$ 2,510,823	$ 2,527,931

1. Subsidiary
   For more details of the information of the subsidiaries, please refer to Note 4 (3) of the Company's Consolidated Financial Report, 2019.
2. Affiliate business
   (1) The basic information of the important associate is as follows:

Company name	Major places of business	Ratio of Shareholding		Nature of relationship	Measuring method
		December 31, 2019	December 31, 2018		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	22.35%	22.35%	Affiliate business	Equity method
SINO-JAPAN CHEMICAL., CO., LTD	Taiwan	21.99%	21.99%	Affiliate business	Equity method
PHERMPEP CO., LTD.	Taiwan	46.00%	46.00%	Affiliate business	Equity method

(2) Financial information of the Company's major associates is summarized as follows:

Balance Sheet

	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 650,194	$ 613,794
Non-Current assets	2,739,734	2,607,624
Current liabilities	(568,484)	(425,690)
Non-current liabilities	(845,680)	(811,825)
Total net assets	$ 1,975,764	$ 1,983,903
Book value of the associate	$ 450,064	$ 451,780

	SINO-JAPAN CHEMICAL., CO., LTD	
	December 31, 2019	December 31, 2018
Current assets	$ 2,002,138	$ 1,862,950
Non-Current assets	834,115	521,339
Current liabilities	(398,403)	(348,549)
Non-current liabilities	(235,006)	(162,406)
Total net assets	$ 2,202,844	$ 1,873,334
Book value of the associate	$ 429,852	$ 411,882

	PHERMPEP CO., LTD.	
	December 31, 2019	December 31, 2018
Current assets	$ 63,933	$ 34,795
Non-Current assets	15,139	9,233
Current liabilities	(8,367)	(6,392)
Non-current liabilities	-	-
Total net assets	$ 70,705	$ 37,636
Book value of the associate	$ 30,900	$ 15,963

Comprehensive income statement

	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	
	2019	2018
Income	$ 1,135,207	$ 1,019,452
Current year profit of continuing business units	$ 122,291	$ 234,288
Other comprehensive income (post-tax profit or loss)	5,054	(32,585)
Current period other comprehensive income (Gross)	$ 127,345	$ 201,703

	SINO-JAPAN CHEMICAL., CO., LTD	
	2019	2018
Income	$ 2,641,590	$ 2,815,316
Current year profit of continuing business units	$ 262,831	$ 203,890
Other comprehensive income (post-tax profit or loss)	(70,028)	9,049
Current period other comprehensive income (Gross)	$ 192,803	$ 212,939

	PHERMPEP CO., LTD.	
	2019	2018
Income	$ 44,660	$ 20,756
Current net losses from continuing operations	($ 16,714)	($ 9,442)
Other comprehensive income (post-tax profit or loss)	(216)	-
Current period other comprehensive income (Gross)	($ 16,930)	($ 9,442)

3. Share of the income from subsidiaries and associates

Name of affiliated enterprises	2019	2018
Chunghwa Yuming Healthcare Co., Ltd.	$ 19,254	$ 23,970
Chunghwa Senior Care Co., Ltd.	(996)	(9,394)
Chunghwa Holding	16,234	35,516
Tairung Enterprise Co., Ltd.	1,926	449
PHERMPEP CO., LTD.	(7,963)	(5,286)
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	19,237	52,031
SINO-JAPAN CHEMICAL., CO., LTD	57,788	44,827
	$ 105,480	$ 142,113

4. Phermpep Co., Ltd. made cash capital increase with NT$20,000 in October 2018 and The Company made a capital increase with NT$5,000. Since the capital increase did not follow the shareholding ratio, The Company has re-recognized the investment with equity method for the fair value of the day.
5. Phermpep Co raised additional cash capital by NT$ 10,000 and NT$ 40,000, respectively in August, 2019 and December, 2019. The Company increased its investment of the entity proportionally by NT$ 4,600 and NT$ 18,400, respectively.
6. The investment made by The Company to CCSB is with public offer and the fair values on December 31, 2019 and 2018 are, respectively, NT$615,253 and $395,148.

(6) Property, plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 2019							
Cost	$ 879,541	$2,964,028	$ 835,852	$ 16,801	$ 102,153	$ 484,298	$ 5,282,673
Accumulated depreciation	-	(1,148,937)	(352,625)	(10,921)	-	(349,177)	(1,861,660)
	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013
2019							
January 1	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013
Additions	2,376	16,392	52,224	3,302	194,165	19,509	287,968
The current transfer	-	7,947	39,023	1,170	(71,947)	23,807	-
Reclassification	-	-	-	-	-	(446)	(446)
Depreciation expenses	-	(78,829)	(49,913)	(1,670)	-	(32,066)	(162,478)
December 31	$ 881,917	$ 1,760,601	$ 524,561	$ 8,682	$ 224,371	$ 145,925	$ 3,546,057
December 31, 2019							
Cost	$ 881,917	$ 2,988,367	$ 927,099	$ 21,273	$ 224,371	$ 527,614	$ 5,570,641
Accumulated depreciation	-	(1,227,766)	(402,538)	(12,591)	-	(381,689)	(2,024,584)
	$ 881,917	$ 1,760,601	$ 524,561	$ 8,682	$ 224,371	$ 145,925	$ 3,546,057

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 2018							
Cost	$ 879,541	$ 2,944,352	$ 807,947	$ 15,454	$ 48,808	$ 478,349	$ 5,174,451
Accumulated depreciation	-	(1,071,665)	(319,590)	(9,760)	-	(319,683)	(1,720,698)
	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753
2018							
January 1	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753
Additions	-	6,221	33,823	2,719	80,360	16,211	139,334
The current transfer	-	14,093	10,568	-	(27,015)	2,354	-
Disposition	-	-	-	(800)	-	-	(800)
Reclassification	-	-	-	-	-	(5,184)	(5,184)
Depreciation expenses	-	(77,910)	(49,521)	(1,733)	-	(36,926)	(166,090)
December 31	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013
December 31, 2018							
Cost	$ 879,541	$ 2,964,028	$ 835,852	$ 16,801	$ 102,153	$ 484,298	$ 5,282,673
Accumulated depreciation	-	(1,148,937)	(352,625)	(10,921)	-	(349,177)	(1,861,660)
	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013

1. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.
2. The Company rented the land of No. 23, Xiangyang Rd., Taipei City from Jen-Chi Relief Institution, the lease term is from January 1, 2015 to December 31, 2024 with the rental of NT$259 to NT$314 paid by the month. If the contract is ending and won't be renewed, the buildings on the land for rent should be demolished and returned on any terms and conditions. Until December 31, 2019, the balance amount that hasn't been reduced is $35,798.

(7) Lease transaction - lessee

1. Underlying assets leased by the Company include land lots and business vehicles with lease term ranged one to ten years. Lease agreements were negotiated individually with various terms and conditions. There are specific no restrictions specified, except that the leased assets cannot be used as loan guarantee.
2. Carrying value and recognized amortization for right-of-use assets are as follows:

	December 31, 2019	2019
	Book value	Depreciation expenses
Land	$ 35,086	$ 3,382
Delivery facilities (business vehicles)	18	211
	$ 35,104	$ 3,593

3. Profit and loss items relating to lease contracts:

	2019
Profit and loss items with current impacts	
Interest expense on the lease liability	$ 253
Low-value leases expense	4,271
Short-term lease expense	405

4. 2019 Total cash outflows for lease purpose was NT$ 8,407.
5. Options to extend or terminate lease
   (1) Options to extend lease term are included in land leases for office buildings, which have helped increase operation agility for the Company.
   (2) Upon determining lease term, the Company factored in all facts and condition that would produce future economy incentives. Lease term will be reassessed in the case of significant events when the decision of whether to exercise the extension option or not exercise the termination option is affected.
   (3) Right-of-use assets and lease liabilities increased by NT$ 14,798, based on the assessment of option to extend.

(8) Shot-term borrowings

	December 31, 2019	December 31, 2018
Financial institution loan		
Secured loans	$ 537,000	$ 330,000
Credit loan	396,000	465,000
Material procurement loan	168,524	109,173
Non-financial institution loan	11,847	11,828
	$ 1,113,371	$ 916,001
Interest rate collars	1.03%~1.15%	1.03%~1.15%

By December 31, 2019 and 2018, besides the short-term loan amount as stated in Note 8, The Company has issued cashier's checks respectively with $600,000 and NT$550,000 as collateral.

(9) Long-term borrowings

	December 31, 2019	December 31, 2018
Secured loans	$ 618,000	$ 618,000
Credit loan	1,420,000	1,210,000
	$ 2,038,000	$ 1,828,000
Interest rate collars	1.15%~1.645%	1.1%~1.65%

1. The re-payment term for unsecured loan and secured loan will be due from 2021 to 2022.
2. The details of the undrawn loan amount of The Company are as follows:

	December 31, 2019	December 31, 2018
Floating annual rate		
Maturing in one year or less	$ 1,741,840	$ 1,971,560
Mature beyond one year	102,000	62,000
	$ 1,843,840	$ 2,033,560

By December 31, 2019 and 2018, the cashier's checks have been issued, respectively, with NT$1,670,000 and NT$1,620,000 as collateral for the long-term loan amounts as stated.

3. Please refer to Note 8 for description of collateral.

(10) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 2% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	($ 368,273)	($ 366,710)
The fair value of plan assets	272,927	243,060
Net defined benefit liability (listing as non-liquidity liability)	($ 95,346)	($ 123,650)

(3) The changes in net defined benefit liabilities are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2019			
Balance at January 1	($ 366,710)	$ 243,060	($ 123,650)
Current service cost	(3,730)	-	(3,730)
Interest expenses (income)	(2,860)	1,896	(964)
	(373,300)	244,956	(128,344)
Revaluation amount:			
Assumption of change in Influence value for demography.	(320)	-	(320)
The effect of changes in financial assumptions	(2,030)	-	(2,030)
Experience adjustments	(9,817)	9,149	(668)
	(12,167)	9,149	(3,018)
The appropriation of pension fund	-	36,016	36,016
Pension payments	17,194	(17,194)	-
Balance at December 31	($ 368,273)	$ 272,927	($ 95,346)

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2018			
Balance at January 1	($ 343,267)	$ 219,471	($ 123,796)
Current service cost	(3,964)	-	(3,964)
Interest expenses (income)	(3,673)	2,348	(1,325)
	(350,904)	221,819	(129,085)
Revaluation amount:			
Assumption of change in Influence value for demography.	307	-	307
The effect of changes in financial assumptions	(5,310)	-	(5,310)
Experience adjustments	(18,683)	6,518	(12,165)
	(23,686)	6,518	(17,168)
The appropriation of pension fund	-	22,603	22,603
Pension payments	7,880	(7,880)	-
Balance at December 31	($ 366,710)	($ 243,060	($ 123,650)

(4) The fund assets for defined benefit plan of The Company are with entrusted management by Bank of Taiwan based on the investment program of the year to set the proportion of commission items and scope of amount, and in accordance with the items in Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which means deposit in the financial institutions domestically and overseas, investment in the equity securities and real estate securitization products of public, public listed and private companies), the relevant operation is supervised by Labor Pension Fund Supervisory Committee. For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. Please refer to the "Annual Labor Pension Fund Implementation Report" published by the government for the fair value of the total fund assets on December 31, 2019 and 2018.

(5) Assumptions for the actuation of pension funds are summarized as follows:

	2019	2018
Discounted rate	0.64%	0.78%
Future salary increases rate	1.00%	1.00%

The assumption of future mortality rate is according to Taiwan Standard Ordinary Experience Mortality Tables 2012

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%
December 31, 2019				
The impact on the present value of the defined benefit obligations	($ 7,029)	$ 15,862	$ 15,684	($ 7,039)
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 8,942)	$ 13,492	$ 13,338	($ 8,965)

The sensitivity analysis referred to above is based on the impact of the changes in one single hypothesis while other assumptions remain unchanged. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

The methods and assumptions used in the preparation of the sensitivity analysis are same as those used in the prior period.

(6) The Company has appropriated $36,016 to the pension plan in 2020.

(7) As of December 31, 2019, the weighted average duration of the pension plan was for 6 years.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's

individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) For financial year 2019 and 2018, the net pension cost recorded by the company according to the above mentioned pension plans are NT$20,436 and $18,304 respectively.

(11) Capital stock

1. As of December 31, 2019, the Company's authorized capital was NT$3,000,000, consisting of 298,081 thousand shares and the Company's paid-up capital was NT$2,980,811 with a par value of $10 per share.
2. The number initial and ending outstanding shares of The Company in 2019 and 2018 are 298,081,000 shares.
3. Tairung Development Co., Ltd. possessed 828,000 shares of the Company by December 31, 2019 and 2018 with book value both at NT$33.89 and the fair value of each share are, respectively, NT$19.25 and NT$18.10.
4. The shares possessed by the associate of the Company by December 31, 2019 and 2018 are, respectively, 25,294,000 and 17,892,000 shares.

(12) Capital surplus

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. According to the Securities Transactions Act and its related rules, where capital reserve is applied to supplement capital as above, the total amount cannot exceed 10% of the paid up capital. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(13) Retained earnings

1. According to the Articles of Incorporation of The Company, the dividends policy is planned in consideration of the future capital requirements and long-term financial arrangement and to meet the requirement of cash inflow by the shareholders, if there are any earnings in the general annual report, the tax should be paid firstly and make up for the previous annual losses, then allocate 10% as legal reserve and special reserve based on the regulations, if any earnings are still available, accumulated with the undistributed earnings from the previous year as profit available for distribution, to reserve according to the sales with discretion, and allocate bonus to shareholders, of which cash dividend shall not be less than 50% of the shareholder bonus and if the cash dividend is less than NT$0.1, the stock dividend will be issued instead.
2. Legal earnings reserves can only be applied to offset company losses or issue new shares or cash according to the original shareholding ratio, and nothing else. When it is applied to new share or cash issues, the reserve shall be exceeding 25% of the paid-up capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance of other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When firstly adopted IFRSs, the Financial Supervisory Commission (FSC) issued Jin-Guan-Zheng-FA-Zi No. 1010012865. On April 6, 2012, which The Company adopts hereafter to implement, disposal or reclassification of relevant assets, reversal by the proportion of the special earned surplus as recognized initially. If the previously stated relevant assets are investment real properties, reversal with disposal or reclassification for those classified as land, for those except for land, reverse gradually while being in use.

4. Upon the resolution made by the shareholders on May 27, 2019 and May 29, 2018, the disposition of earnings of the Company for 2018 and 2017 are as follows:

	2018		2017	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal reserve	$ 36,987	-	$ 31,073	-
Cash dividends	238,465	0.8	178,849	0.6
	$ 275,452		$ 209,922	

The relevant information about the disposition of earnings as above stated which proposed by the Board of Directors and decided by the shareholders can be inquired on the "Market observation post system" of Taiwan Stock Exchange Corporation.

5. The Board of Directors proposed in their meeting on March 9, 2020 to appropriate the 2019 earnings as follows:

	2019 Amount	Dividends per share ($)
Legal reserve	$ 38,469	-
Cash dividends	238,465	0.8
	$ 276,934	

6. Please refer to Note 6 (18) for the information of remuneration to employees and directors.

(14) Other equity

	Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1, 2019	$ 37,515	($ 65,308)	($ 27,793)
-The Company	131,342	(31,927)	99,415
-Subsidiary and associate	(503)	(709)	(1,212)
-Valuation adjustment changes to retained earnings	(22,305)	-	(22,305)
December 31, 2019	$ 146,049	($ 97,944)	$ 48,105

	Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1, 2018	$ 85,107	($ 57,143)	$ 27,964
- Translation adjustment which is applicable for new criterion IFRS 9 on January 1, 2018	632	-	632
	85,739	(57,143)	28,596
-The Company	(35,642)	(8,066)	(43,708)
-Subsidiary and associate	2,156	(99)	2,057
-Valuation adjustment changes to retained earnings	(14,738)	-	(14,738)
December 31, 2018	$ 37,515	($ 65,308)	($ 27,793)

(15) Operating revenue

	2019	2018
Revenue from sales contract	$ 3,596,186	$ 3,273,028

1. Subdivision of the revenue from contracts with customers
   For the revenue of The Company originated from the products being transferred at a certain time, the revenue can be sub-divided to the following regions:

2019	Taiwan region	China and other regions	Total
Revenue from sales contract	$ 3,271,397	$ 324,789	$ 3,596,186

2018	Taiwan region	China and other regions	Total
Revenue from sales contract	$ 2,959,612	$ 313,416	$ 3,273,028

2. Contractual liability
   The relevant contractual liability recognized as the contract with a customer is as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contractual liability- Sales contract of medicine	$ 1,499	$ 1,499	$ 1,579

3. There was no current income recognized from beginning lease liability in the year of 2019. NT$ 1,579 was recognized in 2018.

(16) Other income

	2019	2018
Interest revenue		
Interest from bank deposits	$ 38	$ 36
Other interest incomes	5,161	5,045
Sum of interest revenue	5,199	5,081
Dividend income	9,900	10,400
Sundry income	19,415	22,618
	$ 34,514	$ 38,099

(17) Other profits and losses

	2019	2018
Gain in disposal of real estate, plant buildings, equipment & facilities	$ -	$ 937
Net foreign exchange profit	1,546	3,430
Other losses	-	(57)
	$ 1,546	$ 4,310

(18)Employees' welfare and depreciation, amortization expenses

Functionality2019

Characteristics	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 312,480	$ 241,181	$ 553,661
Labor insurance and national health insurance	31,085	20,249	51,334
Pension expenses	13,113	12,017	25,130
Remuneration to Directors	-	7,577	7,577
Other employee benefits expenses	18,290	14,921	33,211
Depreciation expenses	116,976	49,095	166,071
Amortization expenses	1,878	2,080	3,958

Functionality2018

Characteristics	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 280,440	$ 234,383	$ 514,823
Labor insurance and national health insurance	25,999	18,722	44,721
Pension expenses	11,799	11,794	23,593
Remuneration to Directors	-	5,852	5,852
Other employee benefits expenses	11,007	14,575	25,582
Depreciation expenses	119,397	46,693	166,090
Amortization expenses	1,686	1,867	3,553

Note:

1. Total number of people employed for the current and previous years were 840 and 782, respectively, of which four and six members were independent directors.
2. The additional disclosures below were required to Taiwan-Exchange listed companies:
   (1) Average employee benefit expense for the current year was NT$ 793 and NT$ 784 for the previous year.
   (2) The average employee salary expense for the current year was NT$ 662 for the current year and NT$ 663 for the previous year.
   (3) The average salary adjustment was -0.2%.
3. According to the Articles of Incorporation of The Company, The Company should contribute 1% to 15% as employee bonus according to the balance amount with the deduction of accumulated loss from profitability of the year, and the bonus of member of the board should not be more than 3%.
4. (1) The Company had the 2019 and 2018 remuneration to employees appropriated for an amount of NT$31,000 and $30,000, respectively; the remuneration to directors appropriated for an amount of NT$4,500 and $4,400, respectively. The said amounts were booked in the salary expense account.
   (2) The estimated recognition of 2019 is based on the profitability of the year, of which 6.51% for employee bonus and 0.94% for bonus of member of the board; the estimated amount is consistent as the resolution made by the board of director. The above stated employee bonus is distributed in cash.
   (3) The remuneration to employees and remuneration to directors for an amount of $30,000 and $4,400 in 2018 resolved by the Board of Directors was same as the

amount reported in the 2018 financial statements.

5. Information on the employee and remuneration for directors as approved by the board of directors can be found on the Market Observation Post System.

(19) Financial costs

	2019	2018
Interest expenses:		
Bank loan	$ 38,615	$ 34,923
Non-financial institution loan	120	120
Other Interest expenses	290	-
	$ 39,025	$ 35,043

(20) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Current income tax	$ 61,232	$ 59,636
Additional levy on undistributed earnings	-	10,349
Overestimated income tax in prior periods	(11,557)	(6,772)
Total Current income tax	49,675	63,213
Deferred income tax:		
Origin and reversal of temporary differences	6,593	2,176
The influence of change in tax rate	-	(2,652)
Total deferred income tax	6,593	(476)
Income tax expenses	$ 56,268	$ 62,737

(2) Income tax amounts relating to other comprehensive profit and loss:

	2019	2018
Exchange differences in overseas operating institutions	($ 7,982)	($ 2,183)
Defined benefit obligation revaluation amount and volume	(603)	(3,434)
The influence of change in tax rate	-	(2,574)
	($ 8,585)	($ 8,191)

2. Relationship between income tax expense and accounting profit:

	2019	2018
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 88,192	$ 86,523
Tax-free income by Income Tax Law	(17,159)	(2,494)
The unrealized income according to the tax act.	(3,208)	(24,738)
The unrecognized deferred income tax assets with temporary difference.	-	2,521
Additional levy on undistributed earnings	-	10,349
The influence of change in tax rate	-	(2,652)
Overestimated income tax in prior periods	(11,557)	(6,772)
Income tax expenses	$ 56,268	$ 62,737

3. Deferred income tax assets or liabilities arising from temporary differences:

2019	January 1	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	December 31
Timing difference:				
-Deferred income tax assets				
Inventory valuation and obsolescence losses	$ 5,376	($ 4,492)	$ -	$ 884
Transfinite number of allowance for doubtful accounts loss	10,814	-	-	10,814
Unrealized gross profit	15,955	2,750	-	18,705
Net determined benefit liability	23,625	(6,264)	-	17,361
Investment loss of equity method	18,376	(48)	-	18,328
Leave encashment	4,454	38	-	4,492
Defined benefit obligation revaluation amount and volume	16,142	-	603	16,745
Translation adjustment of the foreign operation	6,633	-	7,982	14,615
Others	2,139	(109)	-	2,030
Subtotal	$ 103,514	($ 8,125)	$ 8,585	$103,974
-Deferred income tax liabilities				
Income of investment under the equity method	($ 61,098)	$ 1,273	$ -	($ 59,825)
Revaluation increment of land	(43,862)	-	-	(43,862)
Unrealized exchange gain	(694)	259	-	(435)
Subtotal	($ 105,654)	$ 1,532	$ -	($104,122)
Total	($ 2,140)	($ 6,593)	$ 8,585	($ 148)

2018	January 1	Influence value of IFRS 9	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	December 31
Timing difference:					
-Deferred income tax assets					
Inventory valuation and obsolescence losses	$ 622	$ -	$ 4,754	$ -	$ 5,376
Transfinite number of allowance for doubtful accounts loss	5,606	3,441	1,767	-	10,814
Unrealized gross profit	12,357	-	3,598	-	15,955
Net determined benefit liability	23,025	-	600	-	23,625
Investment loss of equity method	17,473	-	903	-	18,376
Leave encashment	3,194	-	1,260	-	4,454
Defined benefit obligation revaluation amount and volume	10,802	-	-	5,340	16,142
Translation adjustment of the foreign operation	3,782	-	-	2,851	6,633
Others	1,911	-	228	-	2,139
Subtotal	$ 78,772	$3,441	$13,110	$8,191	$103,514
-Deferred income tax liabilities					
Income of investment under the equity method	($ 49,068)	$ -	($12,030)	$ -	($ 61,098)
Revaluation increment of land	(43,862)		-	-	(43,862)
Unrealized exchange gain	(90)	-	(604)	-	(694)
Subtotal	($ 93,020)	$ -	($12,634)	$ -	($105,654)
Total	($ 14,248)	$3,441	$ 476	$8,191	($ 2,140)

4. Deductible temporary differences not recognized as deferred tax assets:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 16,803	$ 16,803

5. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2016.
6. The amendment of Taiwan Income Tax Act. Has been effective since it was issued on February 7, 2018, the tax rate of the profit-seeking enterprise income tax has been increased from 17% to 20%. This amendment has been applicable since 2018. The Company has evaluated the influence of the relevant income tax regarding the change evaluation of such tax rate.
7. Amendment to Statute for Industrial Innovation was effective after Presidential promulgation. After the tax bureau’s approval, qualified investment proceed shall be deductible from undistributed earnings with an additional profit-seeking income tax levied starting from 2018 according to Income Tax Act,#66-9. The Company has reassessed the tax payable for the undistributed earnings.

(21) Earnings per share

Basic earnings per share

2019	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
Net income	$ 384,690	297,253 thousand shares	$ 1.29

2018	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
Net income	$ 369,870	297,253 thousand shares	$ 1.24

From 2018 onward, employee can be made by way of shares issues, the calculation of earnings per share is based on the assumption that employee bonus is made using shares, and when the potential ordinary shares has the dilution effect, it is then included in the number of weighted average outstanding shares to calculated the diluted earnings per share; when calculating basic earnings per share, the number of shares confirmed in the shareholders meeting resolution for employee bonus by way of shares is then included in the weighted average outstanding ordinary shares for the year of resolution. Since the imputed dilution effect of the common stock for employees is minor in 2019 and 2018, The Company tends to not disclose the dilution of earnings per share.

(22) Supplementary information about the cash flows

Investing activities partially funded with cash:

	2019	2018
Fixed asset purchases	$ 287,968	$ 139,334
Less: Initial prepayments for business facilities	(47,469)	(20,283)
Add: Ending prepayment for business facilities	21,436	47,469
Add: beginning balance of equipment amount payable	22,623	14,462
Less: Ending payment payable for business facilities	(37,124)	(22,623)
Cash Paid for the Period	$ 247,434	$ 158,359

(23) Changes in liability from financial activities.

	Shot-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financial activities.
January 1, 2019	$ 916,001	$1,828,000	$23,899	$5,100	$2,773,000
Borrowing	314,370	250,000	-	-	564,370
Repayment	(117,000)	(40,000)	(3,478)	(4,570)	(165,048)
Changes from non-cash items	-	-	14,798	-	14,798
December 31, 2019	$1,113,371	$2,038,000	$35,219	$ 530	$3,187,120

	Shot-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financial activities.
January 1, 2018	$ 960,428	$ 1,679,000	$ 6,679	$ 2,646,107
Borrowing	-	847,000	-	847,000
Repayment	(44,427)	(698,000)	(1,579)	(744,006)
December 31, 2018	$ 916,001	$ 1,828,000	($ 1,579)	$ 2,742,422

7. Related party transactions

(1) Name and relationship of related parties

Name	Relationship with The Company
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	The associate of The Company
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	The associate of The Company
PHERMPEP CO., LTD. (PHERMPEP)	The associate of The Company
Warm-Up Social Enterprise Co. Ltd. (Warm-up)	The associate of The Company
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	Subsidiary of the Bank
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	Subsidiary of the Bank
Tairung Enterprise Co., Ltd. (Tairung Enterprise)	Subsidiary of the Bank
Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial Co.,Ltd. (SCCPC)	Subsidiary of the Bank
HU-YU CO., LTD (HU-YU)	The individual controlled by major management team of The Company.

(2) Major transactions with related parties

1. Operating revenue

	2019	2018
Merchandising:		
Subsidiary-Chunghwa Yuming	$ 2,028,021	$ 1,679,712
The individual controlled by major management team- HU-YU	301,389	323,446
	$ 2,329,410	$ 2,003,158

(1) The transaction price which The Company offers to the subsidiary and the substantial related party is based on the quotation in the purchase agreement signed by both parties, and the payment is 180 days. The transaction price for the joint replacement products that The Company sells is made by the individual controlled by the major management team based on the import cost plus 4%~8%. Due to the industry peculiarities, the payment is longer than the general transactions.

(2) The payment term of The Company for general customers is 120 days to 180 days. Except for the previous statement, the payment term and transaction price for related party is relevant to customers at the same level, however, part of the payments is still being delayed.

2. Purchases

	2019	2018
Purchase of goods:		
Affiliate business	$ 52,478	$ 55,389
Subsidiaries	7,291	7,597
	$ 59,769	$ 62,986

The purchase from The Company to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing.

3. Accounts receivable and notes

	December 31, 2019	December 31, 2018
Accounts receivable and notes:		
Subsidiary-Chunghwa Yuming	$ 1,351,986	$ 1,020,365
The individual controlled by major management team- HU-YU	236,594	221,382
	1,588,580	1,241,747
Less: allowance for bad debt	(35,489)	(33,227)
	$ 1,553,091	$ 1,208,520

(1) The payment term of The Company for general customers is 120 days to 180 days, for the subsidiary is 150 days, for the substantial related party is 180 days and for the individual controlled by the major management team is 240 days. For the bill to related party with overdue payment, the recognition has been changed to “other account receivable- related party” with the collateral guarantee offered by the chairman of the company. Please refer to Note 7 (1)5(1) loan funds of “The individual controlled by the major management team”

(2) Account and note receivables as of December 31, 2019 and December 31, 2018 were from customer contracts. Account receivables (including note receivables) and the associated allowanced made stood at NT$ 1,029,975 and NT$ 17,797, respectively, on January 1, 2018.

(3) The exposure amounts of the maximum credit risk which can represent the accounts receivable and bill receivable of the Company without considering the possessed collateral or other credit enhancement condition on December 31, 2019 and 2018 are its book value.

4. Accounts payable

	December 31, 2019	December 31, 2018
Subsidiaries	$ 2,249	$ 3,934
Affiliate business	18,385	26,939
	$ 20,634	$ 30,873

The purchase from The Company to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing.

5. Other receivable

(1) Related party of the loan funds

	December 31, 2019	December 31, 2018
A. Related party of the loan funds.		
One of the individuals controlled by the major management team		
HU-YU	$ 220,995	$ 200,299
Less: allowance for bad debt	(33,149)	(30,045)
	$ 187,846	$ 170,254

	December 31, 2019	December 31, 2018
B. Interest income:		
One of the individuals controlled by the major management team		
HU-YU	$ 5,161	$ 5,041

(2) Interest receivable, rent receivable and collection and payment transfer.

	December 31, 2019	December 31, 2018
Interest receivable, rent receivable and collection and payment transfer.		
One of the individuals controlled by the major management team		
HU-YU	$ 2,708	$ 13,685
Subsidiaries	4,600	7,051
	$ 7,308	$ 20,736

6. Rent revenue

	2019	2018
Rent revenue:		
Subsidiaries-		
Chunghwa Yuming Healthcare Co., Ltd.	$ 7,809	$ 8,892
Others	168	220
The individual controlled by major management team of The Company	38	38
	$ 8,015	$ 9,150

7. Provide the endorsement guarantee status of the related party

	December 31, 2019	December 31, 2018
One of the individuals controlled by the major management team HU-YU	$ 262,000	$ 321,000

8. Obtain the financial assets (capital increase by Cash)

	Account titles in book	Number of shares	Object of transaction	2019 Prices of acquirements
Affiliate business- PHERMPEP CO., LTD.	Investment under the equity method	2,300,000	CCPC Health Biological Technology Co., Ltd.	$ 23,000

	Account titles in book	Number of shares	Object of transaction	2018 Prices of acquirements
Affiliate business- PHERMPEP CO., LTD.	Investment under the equity method	500,000	CCPC Health Biological Technology Co., Ltd.	$ 5,000

9. Others.
   (1) Service income received from administrative supports rendered to certain subsidiaries in 2019 and 2018 were NT$ 5,550 and NT$ 6,000, respectively, and collected fully.
   (2) By December 31, 2019, the Company committed to give the necessary assistance when the working capital of some subsidiaries is insufficient.

(3) Remuneration to key management

	2019	2018
Short-term employee benefits	$ 32,292	$ 30,082
Retirement benefits	813	920
	$ 33,105	$ 31,002

8. Pledged assets

The Company's assets are used as collateral as follows:

Asset Item	Book Value December 31, 2019	Book Value December 31, 2018	Purpose of guarantee
Property, plant, and equipment	$ 2,501,333	$ 2,523,113	Long-term and short-term loan, purchase…etc.

9. Significant contingent liabilities and unrecognized contractual commitments

(4) Contingencies

1. The company has in March 2016 received a Taipei District Court Civil Court notice, notifying the Securities Investor and Futures Traders Protection Center (hereinafter referred to as the Investors Protection Center) seeking the court to dismiss company chairman's director position, for dismissing the appointment relation between the company and its chairman, thus the Investors Protection Center has also enlisted the company as the joint defendant, to which the company has appointed its legal counsel to conduct counter the argument, whereof the Taipei District Court has in December 2016 overruled the Investor Protection Center's suit, and following the Investors Protection Center pressing an appeal with the Taipei High Court, the Taipei High Court has in October 2018 rendered a judgment awarding the company with a defeat suit, and following the company and company chairman pressing an appeal, the Supreme court has on January 9, 2019 overruled the appeal that has been confirmed, except with the company having had an across the board re-election of its directors and independent directors before the November 14, 2018 shareholders' meeting, thus the case judgment and confirmation do not affect the incumbent directors' fiduciary duties as voted before the November 14, 2018 shareholders' meeting.
2. A lawsuit, claiming NT$ 5,000, was filed by TSH Biopharm against the Company for patent infringement and fair dealing violation. The Company, after self-assessment, asserted no violation for the alleged claims. Subsequently, the lawsuit was dismissed by Intellectual Property Court in July, 2018. An appeal was filed to the collegiate bench of Intellectual Property Court by TSH Biopharm in August, 2018 and ruled in favor of the Company.

(5) Commitments

1. The unpaid amount for contract of purchasing machines and equipment as well as the plant is summed up as $100,552.
2. The amounts of the issued letter of credit without being used and the issued cashier's checks are respectively $38,007 and $2,540,000.

10. Significant disaster loss

No such event

11. Significant subsequent events

Please find Note 6(13)5 for explanation of the earnings distribution.

12. Others

(1) Capital management

The Company's capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company's capital structure. The Company uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including "current and non-current borrowings" presented in the individual balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the individual balance sheet plus net debts.
The strategy of the Company in 2019 is the same as that in 2018, which is dedicated to maintaining the debt-to-capital ratio to 40% below. The debt-to-capital ratio of the Company in December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Total loan amount	$ 3,151,371	$ 2,744,001
Less: Cash and cash equivalent	(60,881)	(41,013)
Net debt	3,090,490	2,702,988
Total equity	5,906,464	5,670,558
Total capital	$ 8,996,954	$ 8,373,546
Liability/assets ratio	34%	32%

(2) Financial instruments

1. Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive profit or loss		
Financial assets mandatorily measured at fair value through other comprehensive profit or loss	$ 440,278	$ 275,623
The receivable of financial assets at amortized cost		
Cash and cash equivalents	60,881	41,013
Notes receivable	230,467	220,865
Accounts receivable	1,595,722	1,270,561
Other receivables	228,518	216,060
Refundable deposits	1,856	3,167
	$ 2,557,722	$ 2,027,289
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 1,113,371	$ 916,001
Accounts payable	277,034	350,422
Other payable	264,887	221,120
Deposits received	530	5,100
Long-term borrowings	2,038,000	1,828,000
	$ 3,693,822	$ 3,320,643
Lease liabilities	$ 35,219	$ -

2. Risk management policies
   (1) The daily operations of The Company are affected by multiple financial risks, which include the market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management policy of The Company is to focus on the unpredictable matters of the financial market and seek for the method to decrease the potential adverse impact on the financial situation and financial performance of The Company.
   (2) The risk management is executed by the financial department of The Company according to the policy approved by the board of director. The financial department

of The Company works close with the operating unit of the group to identify, evaluate and avoid risks. The board of director also sets the written principle for the overall management risk and provides a written policy for specific scope and matters, ex. currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments as well as the investment of the remaining liquidity.

3. Nature and degree of the significant financial risk.

(1) Market Risk

Exchange rate risk

A. The operation of The Company is transnational, which suffers from the currency occurred by multiple currencies and the majority is US dollars and YEN. The relevant currency risk comes from the future commercial deals, recognized assets and liability as well as the net investment of the foreign operation.

B. The business of The Company involves several non-functional currencies (the functional currency of The Company and some subsidiaries is NTD, while that of some subsidiaries are US dollars and RMB), therefore, affected by the exchange rate fluctuation, the information about the currency with significant exchange rate fluctuation is as follows:

	December 31, 2019		
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
JPY: NTD	$ 177,463	0.2772	$ 49,193
USD: NTD	2,391	30.08	71,921
Financial liabilities			
Monetary items			
USD: NTD	$ 7,616	30.08	$ 229,089

	December 31, 2018		
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
JPY: NTD	$ 180,251	0.2785	$ 50,200
USD: NTD	2,394	30.72	73,544
Financial liabilities			
Monetary items			
USD: NTD	$ 6,832	30.72	$ 209,879
JPY: NTD	1,800	0.2785	501

C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of The Company recognized in 2019 and 2018 are summed amount respectively as NT$726 and NT$1,452.

D. The analysis of foreign exchange risk affected by significant exchange rate

fluctuation for The Company is as follows:

	2019 Sensitivity analysis			
	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss	
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NTD	1%	$ 719	$	-
JPY: NTD	1%	492		-
Financial liabilities				
Monetary items				
USD: NTD	1%	$ 2,291	$	-

	2018 Sensitivity analysis			
	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss	
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NTD	1%	$ 735	$	-
JPY: NTD	1%	502		-
Financial liabilities				
Monetary items				
USD: NTD	1%	$ 2,099	$	-
JPY: NTD	1%	5		-

Price risk

A. The equity instrument exposed to price risk of The Company means all financial assets listed in the account at fair value through other comprehensive income. To manage the price risk for the investment of equity instrument, The Company will break down the investment portfolio which is followed by the limited amount set by The Company.

B. The Company mainly invests in the domestically listed and unlisted equity instrument, the price of such equity instrument will be affected by the uncertainty of the future value of that investment object. If the price of that equity instrument rises or drops 1%, and all other elements remain the same, the profits or losses of the equity investment classified by fair value through other comprehensive income and financial assets at amortized cost in 2019 and 2018 are, respectively, increased or decreased for $4,320 and $2,757.

Cash flows and the interest risk of fair value

A. The interest risk of The Company comes from the long-term loan, short-term loan and short-term bills payable. The Company suffers from the interest rate risk of the cash flows based on the loan issued according to floating rate, part of the risk is being offset with the cash and cash equivalents based on the floating rate. The Company suffers from the interest rate risk of the fair value with the loan issued based on the fixed rate. The loan of The Company is mainly with a floating rate. The loan amount of the Company in 2019 and 2018 is based on the floating rate in NTD, US dollars and YEN.

B. In 2019 and 2018, if the change in loan interest rates is 0.1%, and all other elements are remained the same, net incomes of 2019 and 2018 will respectively

decreases $3,151 and $2,744 mainly because of the decrease or increase of the interest for the loan of floating interest.

(2) Credit Risk

A. The credit risk of The Company comes from the financial loss risk due to the unperformed contract obligations of the counter party, and the cash flow of the account receivable can't be paid by the counter party based on the payment term.

B. The Company established credit risk management in view of a group. According to the credit policy specified internally, before setting the payment, delivery terms and conditions with the new customer, each operating individual in the group should manage and proceed with the credit risk analysis. The internal risk management is to evaluate the credit quality of the customer in consideration of the financial situation, previous experience and other factors. The limited amount of the individual risk is set by the board of director according to the internal or external rating and monitored with the use of the credit line regularly.

C. The Company adopts IFRS 9 to provide the following assumption as the basis to judge if the credit risk of the financial instrument significantly increases since initial recognition:

According to the actual receipt of payment previously, when the payment amount is exceeding than the amount agreed in the contract, the credit risk of the financial assets after initially recognized is considered as significantly increased.

D. The Company adopts IFRS 9 to provide the assumption and based on actual receipt of payment previously that if the payment term in the contract exceeding 91-180 days, it will be considered as violation.

E. The Company classifies the accounts receivable of the customers according to the features of trading credit risk with simplified method to prepare matrix and loss-rate approach as a base to estimate the expected credit loss.

F. With the recourse process, The Company writes off the receivable amount of the financial assets which can't be expected reasonably, however, The Company will still proceed with the law process for recourse to reserve the equity of creditors' rights. By December 31, 2019 and 2018, the Company did not have the liability for creditor's with recourse write-off.

G. The bill receivable and allowance accounts for change in loss of The Company is as follows:

(1) The expected loss rate for the individual of the management team of the Company is 15%, and the amounts of the payment receivable/ total bills as and allowances for loss on December 31, 2019 and 2018 are respectively NT$236,594, NT$35,489 and NT$221,382, NT$33,22.

(2) The Company adjusts the loss rate established according to the historical and current information in a specific period of time in consideration of the completeness of vision, to estimate the bill receivable and allowance for loss. The prepared matrix of December 31, 2019 and 2018 is as follows:

	Overdue within 30 days	Overdue within 31-90 days	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2019					
Expected rate of loss	0.22%	19.53%	100.00%	100.00%	
Total amount of the book value	273,695	-	-	350	274,045
Allowance for losses	597	-	-	350	947

	Overdue within 30 days	Overdue within 31-90 days	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2018					
Expected rate of loss	0.69%	24.21%	100%	100%	
Total amount of the book value	284,869	-	1,219	159	286,247
Allowance for losses	1,963	-	1,219	159	3,341

H. The change in allowance for loss table for bill receivable, accounts receivable and other accounts receivable with the simplified method by The Company are as follows:

	2019		
	Note receivable and accounts receivable	Other receivables	Total
January 1	$ 36,568	$ 30,045	$ 66,613
Recognition of impairment loss	2,972	-	2,972
Reclassification	(3,104)	3,104	-
December 31	$ 36,436	$ 33,149	$ 69,585

	2018		
	Note receivable and accounts receivable	Other receivables	Total
January 1_IAS 39	$ 18,998	$ 28,198	$ 47,196
-Translation adjustment which is applicable for new criterion.	20,239	-	20,239
January 1_IFRS 9	39,237	28,198	67,435
Recognition of impairment loss	62	-	62
de-recognition	(884)	-	(884)
Reclassification	(1,847)	1,847	-
December 31	$ 36,568	$ 30,045	$ 66,613

(3) Liquidity risk

A. The prediction of cash flows is executed by each operating unit in the group and summarized by the financial department of the group. The financial department of the group monitors the prediction for the liquidity requirement of the group, to ensure the capital is sufficient to support the operation requirements.

B. The table below is the non-derivative financial liabilities of The Company, which

is classified based on the due date. The non-derivative financial liabilities are analyzed according to the remaining period between the dates of balance sheet to the expiry date of the contract. The amount of the cash flows in the contract disclosed by the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2019	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 year
Shot-term borrowings	$ 129,441	$ 992,678	$ -	$ -	$ -
Accounts payable	181,169	95,865	-	-	-
Other payables	263,267	1,620	-	-	-
Long-term borrowings	7,174	21,521	1,776,676	282,615	-
Deposits received	-	-	530	-	-
Lease liabilities	961	2,829	3,771	18,857	11,314

Non-derivative financial liabilities:

December 31, 2018	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 185,480	$ 730,521	$ -	$ -
Accounts payable	172,803	177,619	-	-
Other payables	220,287	833	-	-
Long-term borrowings	5,454	16,363	1,741,638	100,863
Deposits received	-	-	-	5,100

(3) Fair value information

1. Please refer to Note 20 (2) 1. for the fair value information of the financial assets that are not measured at the fair value.
2. The valuation technique for measuring the fair value of financial and non-financial instruments is defined as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date An active market refers to the market with sufficient frequency and quantity of the assets or liabilities transactions took place in order to provide market pricing information constantly. The fair value of the stock investment for the listed stock invested by The Company is all included.

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable inputs of assets or liabilities.

3. The Company's financial and non-financial instruments measured at fair value are classified by the nature of assets and liabilities, characteristics and risks, and fair value as follows:
   (1) The relevant information about the classification of the nature for the assets and liabilities of The Company is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Investment of equity instruments at fair value through other comprehensive income	$ 319,137	$ 91,520	$ 29,621	$ 440,278

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Investment of equity instruments at fair value through other comprehensive income	$ 244,590	$ -	$ 31,033	$ 275,623

   (2) The methods and assumptions used by the Company to measure fair value are described as follows:
      A. The Company adopts the market quotation as the input value for the fair value (which is the first class), the classfication according to the feature of the tool is as follows:

	Listed stocks
Market quotation	Closing price

      B. Besides the financial instrument of the active market as stated above, the fair value of other financial instrument is obtained by evaluation technique or reference of the counter party.
      C. While evaluating the financial instrument which is non-standardized and with low complexity, The Company adopts the evaluation technique which is comprehensively used by the market participants. The parameter used for the valuation model of such financial instrument is usually the observable information of the market.
      D. What the valuation model comes out is the estimated value, and the evaluation technique can't reflect all relating factors of the financial instrument and non-financial instrument of The Company. Therefore, the estimated value of the valuation model will be adjusted based on the additional parameter properly, such as the model risk or liquidity risk…etc. According to the management policy and relevant control program of the valuation model for fair value of the Copmany, the management team believes it is appropriate and necessary to adjust the evaluation for expressing the fair value of the financial instrument and non-financial instrument in the aggregate balance sheet. The price information and parameter used in the valuation process is evaluated prudently and adjusted according to the current market situation properly.
4. There was not any transfer between Level 1 and Level 2 in 2019 and 2018, respectively.
5. The changes in Level 3 in 2019 and 2018, respectively, are described as follows:

	2019
	Equity instruments
January 1	$ 31,003
Evaluation adjustment	(1,382)
December 31	$ 29,621

	2018
	Equity instruments
January 1	$ -
- Translation adjustment which is applicable for new criterion.	31,142
January 1_IFRS 9	31,142
Evaluation adjustment	(309)
December 31	($ 309)

6. The valuation process for classifying the fair value to the third level of The Company is proceeded by the financial department for the independent fair value valuation of the financial instrument, by using the independent sources to have the valuation result close to the market status, and make sure the sources of the information is independent, reliable and consistent with other resources as well as all other necessary adjustment of fair value, to ensure the valuation result is reasonable.
   Besides, the valuation policy, valuation process and confirmation for the fair value of the financial instrument set by the Ministry of Finance meet the regulations of relevant international financial reporting standards.
7. The sensitivity analysis explanation of the quantitative data of significant non-observable input value and change of significant non-observable input value which belongs to the valuation model for the items to review the third level of fair value is as follows:

	Fair value on December 31, 2019	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Stock of the venture capital	$ 29,621	Net assets value method	Not applicable	Not applicable

	Fair value on December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Stock of the venture capital	$ 31,033	Net assets value method	Not applicable	Not applicable

8. The valuation and valuation parameter chosen by The Company is evaluated properly, however, the different valuation model or valuation parameter may lead in different valuation result.

13. Notes of disclosure

(1) Information about important transactions

According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." The significant transaction matters of The Company in 2019 is as follows:

1. The Loaning of funds: please refer to Attachment 1.
2. Endorsement and Guarantee: please refer to Attachment 2.
3. Marketable securities held at yearend (excluding investments in subsidiaries, affiliated companies, and joint venture): please refer to Attachment 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
6. Disposition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
7. Purchase/sale amount of transactions with related parties reaching 100 million NTD or more than 20% of the paid-in capital: please refer to Attachment 4.
8. Amounts receivable from related parties totaling more than NTD100 million or 20% of paid up capital: please refer to Attachment 5.
9. Involved with the transaction of derivatives: No such situation.
10. For the business relationship among the parent company/subsidiary and each subsidiary and the important transactions, please see attached table 6.

(2) Information regarding investees

For the name, religion of the invested company…, such information (excluding the invested company in China), please see attached table 7.

(3) Information regarding investment in the territory of mainland china

1. Basic information: Please see attached table 8.
2. Significant transactions with investee companies in the Mainland China, either directly or indirectly through a third country: Not applicable.

14. Segment information

According to the regulations of IAS 8, disclosed in the consolidated financial statements.

China Chemical & Pharmaceutical Co., Ltd.
Cash and cash equivalents
December 31, 2019

List 1 Unit: NTD thousand

Item	Summary		Amount	
Cash on hand and petty cash			$	1,746
Bank deposits				
Check deposits				48,467
Demand savings deposit of New Taiwan dollar				3,800
Foreign currency demand deposi	USD 168,204,	Exchange rate: 30.08		5,060
	EUR$665	Exchange rate: 33.74		22
	JPY 6,445,628	Exchange rate: 0.2772		1,786
			$	60,881

China Chemical & Pharmaceutical Co., Ltd.

Notes receivable

December 31, 2019

List 2

Unit: NTD thousand

Name of customer	Summary	Amount	Remarks
Jin Tai Pharmaceutical Manufacture Co., Ltd.		$ 31,482	
Others		47,409	The balance amount of each rest customer doesn't exceed 5% of the balance amount in this subject
Subtotal		78,891	
Less: allowance for bad debt		(172)	
Total		$ 78,719	

China Chemical & Pharmaceutical Co., Ltd.
Accounts receivable
December 31, 2019

List 3 Unit: NTD thousand

Name of customer	Summary	Amount	Remarks
Nipro Corporation		$ 42,159	
TWI Pharmaceuticals, Inc.		24,210	
Jin Tai Pharmaceutical Manufacture Co., Ltd.		13,467	
Great Wall Enterprise Co., Ltd.		11,081	
TTY Biopharm Company Limited		10,154	
Other rest customers		94,083	The balance amount of each rest customer doesn't exceed 5% of the balance amount in this subject
Subtotal		195,154	
Less: allowance for bad debt		(775)	
Total		$ 194,379	

China Chemical & Pharmaceutical Co., Ltd.

Inventory

December 31, 2019

List 4

Unit: NTD thousand

Item	Summary	Amount		Remarks
		Cost	Net realizable value	
Raw materials		$ 628,450	$ 627,497	
Material		105,718	106,213	
Work in process		200,374	227,448	
Finished products		87,713	124,748	
Merchandise inventory		14,727	29,576	
		1,036,982	$ 1,115,482	
Less: Allowance for inventory price decline		(4,415)		
		$ 1,032,567		

China Chemical & Pharmaceutical Co., Ltd.

Statement of financial assets at fair value through other comprehensive income – non-current.

January 1 to December 31, 2019

List 5

Unit: NTD thousand

	At beginning		Increase		Decrease		At ending			
Name	Quantity	Fair value	Quantity	Amount	Quantity	Amount	Quantity	Fair value	Accumulated impairment	Collateral or pledge
momo.com Inc.	1,300,000	$ 244,400	$ -	102,182	(200,000)	($ 27,582)	1,100,000	319,000	Not applicable	None
PACGEN BIOPHARMACEUTICALS	238,050	190	-	-	-	(53)	238,050	137	"	"
CDIB Capital Healthcare Ventures Limited	3,000,000	29,903	-	-	-	(1,813)	3,000,000	28,090	"	"
Green Management International Co., Ltd.	94,288	1,130	16,949	401	-	-	111,237	1,531	"	"
MegaPro Biomedical Co., Ltd.	-	-	2,600,000	91,520	-	-	2,600,000	91,520	"	"
		$ 275,623		$ 194,103		($ 29,448)		$ 440,278		

China Chemical & Pharmaceutical Co., Ltd.
Investment under the equity method
January 1 to December 31, 2019

List 6

Unit: NTD thousand

	Balance, beginning		Increase		Decrease		Balance, ending			Net market price or equity			
Name of investee	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Ratio of Shareholding	Amount	Unit price (NT$)	Total amount	Valuation basis	Collateral or pledge
Chunghwa Yuming Healthcare Co., Ltd.	29,590,000	$ 422,095	-	$ 19,445	-	($ 23,155)	29,590,000	100.00	$ 418,385	17.47	$ 516,959	Equity method	None
Chunghwa Senior Care Co., Ltd.	5,000,000	524	-	961	-	(1,272)	5,000,000	100.00	213	0.37	1,869	〃	〃
Chunghwa Holding Co.,Ltd.	44,485,000	1,157,711	-	16,234	-	(63,012)	44,485,000	100.00	1,110,933	24.97	1,110,933	〃	〃
Tairung Enterprise Co., Ltd.	4,376	72,367	-	2,500	-	-	4,376	71.64	74,867	16,357.00	71,656	〃	〃
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	17,331,064	451,780	-	19,691	-	(21,407)	17,331,064	22.35	450,064	35.50	615,253	〃	〃
Sino-Japan Chemical Co., Ltd.	318,216	411,882	-	57,787	-	(39,817)	318,216	21.99	429,852	1,522.02	429,852	〃	〃
Phermpep Co., L.td.	2,300,000	15,963	2,300,000	23,000	(920,000)	(8,063)	3,680,000	46.00	30,900	8.84	32,525	〃 〃	
		2,532,322		139,618		(156,726)			2,515,214				
Less: Change recognition to curtailment													
The subsidiary possesses the share of The Company		(4,391)		-		-			(4,391)				
		$ 2,527,931		$ 139,618		($ 156,726)			$ 2,510,823				

China Chemical & Pharmaceutical Co., Ltd.
Shot-term borrowings
December 31, 2019

List 7

Unit: NTD thousand

Type of Loans	Creditor	Summary	Balance, ending	Agreement Terms	Interest rate collars	Financing amount		Collateral and Mortgage
Secured loans	Chang Hwa Bank	General loan	$ 76,000	1 years	Note 3	$ 83,000		Guarantor: real estate
	Bank of Taiwan	〃	461,000	〃	〃	461,000		Guarantor: real estate
			537,000			544,000		
Credit loan	Cathay United	General loan	48,000	1 years	Note 3	48,000		Issue cashier's checks NT$ 50,000; guarantor
	First Bank	〃	275,000	〃	〃	350,000	Note 1	Issue cashier's checks NT$ 350,000; guarantor
	Shin Kong Commercial Bank Co., Ltd.	〃	73,000	〃	〃	200,000		Issue cashier's checks NT$ 200,000; guarantor
			396,000			598,000		
Material procurement loan	Mega Commercial Bank	Material procurement loan	36,537	1 years	Note 3	300,000		Guarantor
	Bank of Taiwan	〃	26,359	〃	〃	90,240	Note 2	Guarantor: real estate
	First Bank	〃	18,917	〃	〃	350,000	Note 1	Issue cashier's checks NT$ 350,000; guarantor
	Hua Nan Bank	〃	42,921	〃	〃	200,000		Guarantor: real estate
	Shanghai Bank	〃	43,790	〃	〃	115,000		Guarantor: real estate
			168,524			1,055,240		
Non-financial institution								
Loan	Wang-Yeh, Chiu-Kuei	Private loan	11,847	〃	〃	11,847		None
			$ 1,113,371			$ 2,209,087		

Note 1: Common amount limit

Note 2: Financing amount limit is USD: 3,000

Note 3: The interval of the interest rate is 1.03% ~1.15%

China Chemical & Pharmaceutical Co., Ltd.
Accounts payable
December 31, 2019

List 8 Unit: NTD thousand

Vendor's name	Summary	Amount	Remarks
Stryker China Limited		$ 116,608	
U.M. GRAVURE INDUSTRIAL CO., LTD.		33,757	
Tradshine Company Ltd.		22,247	The balance amount of each rest manufacturers doesn't exceed 5% of the balance amount in this subject
Lin Chun Printing Enterprise Co., Ltd.		13,552	
Other rest vendors		70,236	
		$ 256,400	

China Chemical & Pharmaceutical Co., Ltd.

Other payables

December 31, 2019

List 9

Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries payable and annual bonus		$ 121,824	The balance amount of each rest manufacturers doesn't exceed 5% of the balance amount in this subject
Construction equipment amount payable		37,124	
Unused vacation time payable		22,471	
Others		83,468	
		$ 264,887	

China Chemical & Pharmaceutical Co., Ltd.
Long-term borrowings
December 31, 2019

List 10

Unit: NTD thousand

Creditor	Summary	Mature beyond one year	Agreement Terms	Interest rate	Mortgage or collateral status	Remarks
Hua Nan Bank	Mid and long-term guaranteed loan	438,000	2019.06.06~2021.06.06	Note 1	Guarantor: real estate	
First Bank	"	180,000	2019.08.13~2022.08.13	"	Guarantor: real estate	
Mega Commercial Bank	Mid and long-term credit loan	$ 250,000	2019.11.26~2021.11.25	"	Guarantor; cashier's checks 300,000	
Chang Hwa Bank	"	100,000	2019.11.30~2021.11.30	"	Guarantor; cashier's checks 120,000	
Fubon Bank	"	200,000	2019.04.13~2021.04.13	"	Guarantor; cashier's checks 200,000	
Yushan Bank	"	120,000	2019.08.07~2021.08.07	"	Guarantor; cashier's checks 120,000	
Bank of Taiwan	"	100,000	2019.11.16~2021.11.16	"	Guarantor; cashier's checks 100,000	
Taiwan Cooperative Financial Holding Co., Ltd.	"	100,000	2019.07.19~2022.07.19	"	Guarantor; cashier's checks 240,000	
Jih Sun International Commercial Bank	"	190,000	2019.05.25~2021.05.25	"	Guarantor; cashier's checks 190,000	
Far Eastern Int'l Bank	"	150,000	2019.06.21~2021.06.21	"	Guarantor; cashier's checks 150,000	
Bank SinoPac	"	210,000	2019.10.29~2021.10.31	"	Guarantor; cashier's checks 250,000	
		$ 2,038,000				

Note 1: The interval of the interest rate is 1.15% ~1.645%

China Chemical & Pharmaceutical Co., Ltd.
Sales revenue
January 1 to December 31, 2019

List 11 Unit: NTD thousand

Item	Amount	Remarks
Tablets	$ 1,314,886	
Commission manufacturing	404,522	
Animal health products	513,597	
Purchase of finished products	363,146	
Antibiotics	432,367	
Injections	156,774	
Items sold to overseas	320,420	
Liquid creams	65,207	
Manufacturing with technique corporation	25,267	
Net sales revenue	$ 3,596,186	Note

Note: Means net amount after sales return for $37,602 and sales allowance for $277

China Chemical & Pharmaceutical Co., Ltd.
Cost of goods sold
January 1 to December 31, 2019

List 12 Unit: NTD thousand

Item	Summary	Amount	Remarks
Raw materials at initial term		$ 766,304	
Add: Materials purchased at current period		1,577,130	
Less: Raw material at the ending period		(734,168)	
Others		(10,084)	
Direct materials consumption		1,599,182	
Direct labor		225,734	
Manufacturing overhead		534,865	
Manufacturing cost at current period		2,359,781	
Work in process - beginning		217,958	
Less: Work in process - ending		(200,374)	
Others		(6,873)	
Cost of the finished good at current period		2,370,492	
Opening finished products		90,919	
Less: Finished goods at the ending period		(87,713)	
Others		(22,930)	
Cost of manufacturing goods sold		2,350,768	
Opening inventory		32,780	
Add: purchase at current period		351,282	
Less: Ending inventory		(14,727)	
Obsolete inventory		(31,768)	
Others		(5,834)	
Cost of goods sold for the inventory		331,733	
Cost of inventory sold		2,682,501	
Loss of price decline of inventory and obsolescence loss		9,316	
Operating cost		$ 2,691,817	

China Chemical & Pharmaceutical Co., Ltd.
Manufacturing overhead
January 1 to December 31, 2019

List 13 Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries and wages		$ 142,290	
Depreciation expenses		116,976	
Utilities expenses		60,172	
Trial production fee		56,575	
Fuel expenses		30,506	
Other Expenses		128,346	
		$ 534,865	

China Chemical & Pharmaceutical Co., Ltd.

Marketing expenses

January 1 to December 31, 2019

List 14

Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries and wages		$ 63,550	
Travelling expense		8,210	
Transportation expenses		6,850	
Other Expenses		37,351	
		$ 115,961	

China Chemical & Pharmaceutical Co., Ltd.
Administrative expenses
January 1 to December 31, 2019

List 15 Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries and wages		$ 68,361	
Professional service expenses		13,387	
Depreciation expenses		9,661	
Other Expenses		48,470	
		$ 139,879	

China Chemical & Pharmaceutical Co., Ltd.
Administrative expenses
January 1 to December 31, 2019

List 15 Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries and wages		$ 113,770	
Trial production fee		40,482	
Depreciation expenses		39,175	
Outsourced research fee		25,951	
Other Expenses		73,988	
		$ 293,366	

Attached table 1

Unit: NTD thousand
(Except where otherwise stated)

No. (Note 1)	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum amount – current period (Note 2)	Balance, ending	The actual amounts disbursed	Interest rate collars	Nature of financing (Note 3)	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary	Total limit of financing	Remarks
													Name	Value			
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	Other receivables	Y	$ 223,895	$ 301,389	$ 220,995	2.40%	1	$ 301,389	-	$ 33,149	Note 5	$ -	$ 301,389	$ 1,771,939	Notes 4 (1), 4 (2)
1	Tairung Enterprise Co., Ltd.	HU-YU Co., Ltd.	Other receivables	Y	11,500	8,500	8,500	2.75%	2	-	Working capital	-	Note 5	-	40,389	40,389	Note 4(3)
2	Chunghwa Yuming Healthcare Co., Ltd.	Hlsc Logistics Co., Ltd.	Other receivables	N	12,000	9,000	9,000	5.00%	2	-	Working capital	-	Note 5	-	$ 77,756	155,511	Notes 4 (4), 6

Note 1: The filing method for the numbering of lending money by the Company is as follows:
(1) Fill in 0 for the issuer.
(2) The investees are sequentially numbered from 1 and so forth.

Note 2: Maximum balance of financing a third party in current period.

Note 3: Below are the two filing methods for the nature of lending money
(1) With business dealings
(2) With necessity of short-term financing

Note4: Maximum and aggregate amount of loans made to a single entity by the Company:
(1) Company and its subsidiaries with business transactions with the company whose individual lending amount may not exceed the most recent one year or the current year's incoming goods amount or total sales amount with the company, at the time of capital lending.
(2) No loan made to a single entitle by the Company shall exceed 15% of its net worth. Aggregated loans made by the Company shall not exceed 30% of its net worth.
(3) No loan made to a single entitle by Tairung Enterprise Co. shall exceed 40% of its net worth. Aggregated loans made shall not exceed 40% of its net worth.
(4) No loan made to a single entitle by Chunghwa Yuming Healthcare Co. shall exceed 15% of its net worth. Aggregated loans made shall not exceed 30% of its net worth.

Note 5: The full value guarantee will be provided by the Chairman of The Company

Note 6: Due to a merge transaction, the entity to which the Company made loan fund changed from He Xie Logistics to Fong Tien Logistics starting from February, 2020

China Chemical & Pharmaceutical Co., Ltd.:
Endorsement and Guarantee
January 1 to December 31, 2019

Attached table 2

Unit: NTD thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the current period	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Total endorsements and guarantees as a percentage of equity in the most recent financial statement	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation(Note 2)											
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	1	$ 1,771,939	$ 321,000	$ 262,000	$ 242,000	-	4.44%	$ 2,953,231	N	N	N	Notes 3, 4

Note 1: The column for numbering is elaborated below:
(1) Fill in 0 for the issuer.
(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The 6 types of relations between the endorsement/ guarantee provider and subject of endorsement/ guarantee are as follows. Indication of types is applicable.
(1) Business relation.
(2) Subsidiary owns over 50% of ordinary equity share with direct possession.
(3) The aggregation of the ordinary share possessed by The Company and its Subsidiary exceeds 50% by the investee.
(4) The Parent Company which possesses more than 50% of the ordinary equity share directly or through its Subsidiary with indirect possession.
(5) For building construction, The Company holds a mutual guarantee with other companies based on the peer agreement:
(6) Due to the joint investment relationship, shareholders are to provide endorsement and guarantee to the company proportionately to the respective shareholding ratio.

Note 3: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.

Note 4: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.

China Chemical & Pharmaceutical Co., Ltd.:
Marketable securities held at yearend (excluding investments in subsidiaries, associated companies, and joint ventures)
January 1 to December 31, 2019

Attached table 3

Unit: NTD thousand
(Except where otherwise stated)

Holding company	Types of negotiable securities	Names of negotiable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending				Remarks
					Quantity	Book value	Ratio of Shareholding	Fair value	
China Chemical & Pharmaceutical Co., Ltd.	Stock	PACGEN BIOPHARMACEUTICALS CORP.	-	Investment of equity instruments at fair value through other comprehensive income	238,050	13,992	0.37%	137	None
	〃	momo.com Inc.	-	Investment of equity instruments at fair value through other comprehensive income	1,100,000	151,702	0.79%	319,000	〃
	〃	Green Management International Co., Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	111,237	710	5.21%	1,531	〃
	〃	CDIB Capital Healthcare Ventures Limited	-	Investment of equity instruments at fair value through other comprehensive income	3,000,000	30,000	1.71%	28,090	〃
	〃	NEUROLOGIC, INC.	-	Investment of equity instruments at fair value through other comprehensive income	857,067	-	7.12%	-	〃
	〃	SynZyme Technologies,LLC	-	Investment of equity instruments at fair value through other comprehensive income	462,900	-	4.34%	-	〃
	〃	MegaPro Biomedical Co., Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	2,600,000	83,200	5.37%	91,520	〃
				Evaluation adjustment	-	160,674		-	
						$ 440,278			
Tairung Enterprise Co., Ltd.	Stock	China Chemical & Pharmaceutical Co., Ltd.	The Company	Investment of equity instruments at fair value through other comprehensive income	827,883	28,057	0.28%	$ -	None
				Evaluation adjustment		12,120			
						$ 40,177			
Timpco International Co., Ltd.	Stock	Herbal Science, LLC	-	Investment of equity instruments at fair value through other comprehensive income	-	$ -	4.00%	$ -	None
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.		Kunshan CDIB Yida Healthcare Enterprise Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	-	17,284	0.53%	$ 16,781	None
				Evaluation adjustment		(503)			
						$ 16,781			
	Beneficiary certificate	Minsheng Bank's regular open net worth wealth management products		Financial assets at fair value through profit and loss- Current		64,815		$ 66,026	
				Evaluation adjustment		1,211			
						$ 66,026			

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, “Financial Instruments.”

China Chemical & Pharmaceutical Co., Ltd.:
Purchase from or sale to related parties for an amount exceeding NT$100 million or 20% of paid-in capital
January 1 to December 31, 2019

Attached table 4

Unit: NTD thousand

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes and accounts receivable (payable)	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	Sale	$ 2,028,021	56.39%	The payment term is 150 days	Agreed by the quotation in the purchase agreement signed by both parties.	The payment term is 150 days.	$ 1,351,986	65.80%	
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	Sale	301,389	8.38%	The payment term is 240 days	Due to the unique sales item; no similar items for sales; the selling price is the import cost plus 4% ~ 10%	Due to the unique nature of The Company the usance of the bill should be longer than regular deals.	$ 457,589	22.27%	

China Chemical & Pharmaceutical Co., Ltd.:

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2019

Attached table 5

Unit: NTD thousand
(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts	Remarks
					Amount	Process			
China Chemical & Pharmaceutical Co., Ltd.	HU-YU Co., Ltd.	The Chairman is the same person of The Company.	457,589	0.69	$ 220,995	To obtain the proven guarantee from the chairman of The Company and take joint and several liability for the unpaid debts or bills.	$ 20,064	$ 68,638	
	〃	〃	2,708	-	-	-	-	-	Note
	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	1,351,986	1.71	-	-	90,000	-	
	〃	〃	1,299	-	-	-	-	-	Note

Note: Means interest receivable, rent receivable and collection and payment transfer.

China Chemical & Pharmaceutical Co., Ltd.:
Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries.
January 1 to December 31, 2019

Attached table 6

Unit: NTD thousand
(Except where otherwise stated)

No. (Note 1)	Trader's name	Counterparty	Affiliation to trader (Note 2)	Transactions				Percentage in consolidated total revenue or total assets (Note 3)
				Title		Amount	Terms and conditions	
0	CCPC	Chunghwa Yuming Healthcare Co., Ltd.	1	Sale	$	2,028,021	Note 4	25.45%
0	〃	〃	1	Accounts receivable		1,351,986	〃	11.68%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:
(1) Fill in "0" for parent company.
(2) Subsidiaries are numbered from number 1.
Note 2: There are three types of relationships with traders, please mark the type intended.
(1) Parent company vs. subsidiaries.
(2) Subsidiaries vs. parent company.
(3) Subsidiaries vs. subsidiaries.
Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.
Note 4: The selling price is agreed to by the quotation in the purchase agreement signed by both parties. The payment of the selling goods is 150 days.
Note 5: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.
Note 6: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.
Note 7: The significant matters between the parent company and subsidiaries have been written off.
Note 8: The amount of individual deal below NT$100,000 will not be disclosed.

China Chemical & Pharmaceutical Co., Ltd.:
The relevant information of names, area of location of the investees (excluding the investees in China)
January 1 to December 31, 2019

Attached table 7

Unit: NTD thousand
(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Ratio	Book value			
China Chemical & Pharmaceutical Co., Ltd.	Tairung Enterprise Co., Ltd.	Taiwan	Manufacture and sales of glass, plastics made containers	$ 226,920	$ 226,920	4,376	71.64	$ 74,867	$ 3,351	$ 1,926	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Sino-Japan Chemical Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	37,474	37,474	318,216	21.99	429,852	262,831	57,788	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co., Ltd	Cayman Islands	Professional investment company	910,384	910,384	44,485,000	100.00	1,110,933	16,234	16,234	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Taiwan	Wholesale of Western medicines, medical apparatus and instruments	547,600	547,600	29,590,000	100.00	418,385	16,454	19,254	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	296,292	296,292	17,331,064	22.35	450,064	86,089	19,237	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Taiwan	Wholesale of Western medicines, medical apparatus and instruments	324,400	324,400	5,000,000	100.00	213	(1,311)	(996)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	PHERMPEP CO., LTD.	Taiwan	Wholesale of biotechnology services and health products.	40,000	17,000	3,680,000	46.00	30,900	(16,714)	(7,963)	Evaluation of equity method
Chunghwa Holding Co., Ltd	Timpco International Co., Ltd.	Cook Islands	Professional investment company	801,701	801,701	16,436,500	100.00	1,110,578	16,111	-	Sub-subsidiary (Note 1)
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Taiwan	Manufacturer of cleaning products	17,380	16,000	1,738,000	73.96	9,171	1,664	-	Sub-subsidiary (Note 1)
Chunghwa Senior Care Co., Ltd.	WarmUp Cafe	Taiwan	Food wholesaler	2,030	1,530	-	23.88	1,123	(2,193)	-	Equity method (Note1)

Note 1: The Company does not recognize investment profit and loss directly.
Note 2: For the relevant information about the significant deals of the investees; please refer to the enclosed Table 1-6.

China Chemical & Pharmaceutical Co., Ltd.:
Information about investment in mainland china-basic information
January 1 to December 31, 2019

Attached table 8

Unit: NTD thousand
(Except where otherwise stated)

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment Profit or Loss for Current Period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of Western medicine preparations and health-care articles.	$ 755,151	2	$ 768,672	$ -	$ -	$ 768,672	$ 18,700	100	$ 18,700	$ 1,110,578	$ 159,945	Notes 1 (2) A, 2 (2) B
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	10,203	3	-	-	-	-	3,019	100	-	6,908	-	Notes 2 (2) B, 3 and 6
Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	182,790	3	-	-	-	-	(2,264)	100	-	(9,081)	-	Notes 2 (2) B, 4 and 6
Shanghai VisuScience Mediteh Co., Ltd.	Nutrition and health consulting service	113,737	3	-	-	-	-	(21,345)	30	-	24,541	-	Notes 2 (2) A, 5 and 6
Shanghai Health Management Consulting Co., Ltd.	Maternal and child health service, sales of maternal and child products	45,760	3	-	-	-	-	(15,248)	30	-	8,544	-	Notes 2 (2) A, 6

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	$ 768,672	$ 769,143	$ 3,563,611

Note 1: There are three types of investments labeled by the respective number:
(1) Direct investment in Mainland China.
(2) Indirect investment in Mainland China through a third country (please specify the investment company in the third country)
A. Investment made to Suzhou Chung-Hua Chemical & Pharmaceutical was by Ke Ding Mao International Co. through Chunghwa Holding Co.
(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:
(1) Please note if the investee is still under preparation and there was no investment gain or loss.
(2) The basis of recognition of investment income is classified into following two types, which should be marked out.
A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.
B. Financial statements audited by the CPAs who audit the parent company in Taiwan.
C. Others

Note 3: Direct investment with RMB$ 2,000,000 by Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD

Note 4: Means the purchase of 100% equity share of Pei Fung Trading (Shanghai) Company Ltd. in June 2016 was with the capital of RMB$ 1,797,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO.,LTD.

Note 5: Means the acquisition of 30% equity share of Shanghai Health Management Consulting Co., Ltd. was with RMB$ 7,200,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO., LTD.

Note 6: The Company does not recognize investment profit and loss directly.