China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Consolidated financial statements and Auditor's Report

2019 and 2018

(Stock Code: 1701)

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China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

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

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China Chemical & Pharmaceutical Co., Ltd.

The Affiliate’s Declaration of Consolidated Financial Statements

In Fiscal 2019 (the entire period starting from January 1 to December 31, 2019), the parent company and subsidiaries which the Company shall, exactly in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", work out consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) No. 10 are exactly the same. Those information of the parent company and subsidiaries having been disclosed through the consolidated financial statements of the parent company and subsidiaries. The consolidated financial statements of the affiliated enterprises are, therefore, no longer worked out once more.

Hereby declare

Company name: China Chemical & Pharmaceutical Co., Ltd.

Representative: Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Representative: Wang, Hsun-Sheng

March 26, 2020

Auditor’s Report

(2020) Cai-Shen-Bao-Zi No. 19004103

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 consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion, based our audit results and other CPAs' audit results (please refer to the paragraph on other matters), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China.

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 consolidated 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 the Group 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 consolidated statements of the Group in 2019. These matters were addressed in the content of our audit of the consolidated 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 consolidated financial statements of the Group 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 (9) of consolidated 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 consolidated financial statements. For more details regarding the descriptions of accounting policies of accounts and notes receivable, please refer to Notes 6 (3) of consolidated 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

Our key audit procedures regarding the audit matters referred to above are as follows:

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(13). 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(4).

CCPC is mainly engaged in the production and sale 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

Our key audit procedures regarding the audit matters referred to above are as follows:

1. Evaluating the accounting policy of allowances for losses of inventory 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 corresponds to the company policy, and if the calculation of net realizable value for the individual inventory part number is correct with a 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 2019 and 2018 financial statements of certain subsidiaries of CCPC were not audited by us, but by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies and included in the consolidated financial statements and the relevant disclosures in Note 13 are based on the audit reports of other CPAs. The total assets of those subsidiaries were NTD213,298 thousand and NTD195,482 thousand as of December 31, 2019 and 2018, respectively, which accounted for 1.84% and 1.82% of the consolidated assets, respectively. The operating income was NTD110,940 thousand and NTD118,248 thousand for the 1.39% and 1.56%, respectively, of the consolidated operating income. In addition, investments using the equity method by CCPC as of December 31, 2019 and 2018 and certain investment companies' information disclosed in Note 13 were evaluated and disclosed in the financial statements based on the audit performed by other CPAs appointed by the respective companies invested in. We did not audit those financial statements The investments using the equity method were NTD455,516 thousand and NTD444,623 thousand as of December 31, 2019 and 2018, which accounted for 3.93% and 4.13% of the consolidated assets, respectively. The consolidated profits (including the share of affiliates and the profit or loss of joint ventures recognized by the equity method and the share of other comprehensive profit and loss) were NTD43,3406 thousand and NTD44,013 thousand for the year ending December 31, 2019 and 2018, respectively, which accounted for 9.15% and 14.40%, respectively, of the combined profits.

Other matters – Individual Financial Report

SINOCHEM Group has drafted individual financial statements for 2019 and 2018, and the accountant made unmodified opinions on other matters - mentioned the audit report of other accountants is included, available for reference.

Responsibilities of Management and Those in Charge with Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group 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 the Group 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 the Group.

Auditor’s Responsibilities for the Audit of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Group.
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 the Group 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 consolidated 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 the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements.

The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

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 consolidated financial statements of the Group 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. and subsidiaries
Consolidated 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)	$ 703,840	6	$ 594,627	5
1110	Financial assets at fair value through profit and loss- Current	6 (2)	66,026	1	-	-
1150	Notes receivable-net	6(3)	324,521	3	413,317	4
1160	Notes Receivable-Related Parties- net	7	151,748	1	131,447	1
1170	Notes accounts, net	6(3)	1,649,048	14	1,523,865	14
1180	Account receivables-Related Parties-net	7	49,367	-	56,725	1
1200	Other receivables		50,702	-	32,463	-
1210	Other receivables - related parties	7	199,056	2	183,939	2
1220	Current income tax asset		-	-	1,141	-
130X	Inventory	6 (4)	2,180,839	19	2,135,081	20
1476	Other financial assets- current	8	5,718	-	28,632	-
1479	Other current assets- Other		116,927	1	74,538	1
11XX	**Total current assets**		5,497,792	47	5,175,775	48
	Non-Current assets					
1517	The financial assets measured for the fair values through other comprehensive income- non-current	6 (5)	457,059	4	275,623	3
1550	Investment under the equity method	6 (6) and 7	936,480	8	912,366	8
1600	Property, plant, and equipment	6(7) and 8	4,235,151	37	3,948,268	37
1755	Right-of-use assets	6 (8)	94,823	1	-	-
1780	Intangible assets		24,281	-	31,899	-
1840	Deferred income tax assets	6 (24)	190,062	2	190,871	2
1900	Other non-current assets	6(9) and 9(2)	142,257	1	231,500	2
15XX	**Total of Non-Current Assets**		6,080,113	53	5,590,527	52
1XXX	**Total assets**		$ 11,577,905	100	$ 10,766,302	100

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China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated 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 (10)	$ 1,279,871	11	$ 1,021,001	10
2110	Short-term notes payable	6 (11)	67,480	1	109,977	1
2130	Contractual liability- current	6 (19)	60,631	1	54,390	1
2150	Payable notes		28,590	-	143,158	1
2170	Accounts payable	7	869,348	7	882,390	8
2200	Other payables	6 (12)	565,192	5	515,268	5
2230	Current Tax Liability		34,454	-	74,511	1
2280	Lease liabilities - current		9,476	-	-	-
2320	Current portion of long-term liabilities	6 (13)	21,000	-	-	-
2365	Refund liability – liquidity	6 (19)	69,278	1	47,585	-
2399	Other current liabilities- other		26,334	-	19,630	-
21XX	**Total current liabilities**		3,031,654	26	2,867,910	27
	Non-current liabilities					
2540	Long-term borrowings	6 (13)	2,227,000	19	1,828,000	17
2570	Deferred tax liabilities	6 (24)	128,965	1	127,993	1
2580	Lease liabilities – non-current		67,400	1	-	-
2600	Other non-current liabilities	6 (14)	183,533	2	241,242	2
25XX	**Total of non-current liabilities**		2,606,898	23	2,197,235	20
2XXX	**Total liabilities**		5,638,552	49	5,065,145	47
	Equity of the parent company					
	Capital stock	6 (15)				
3110	Common stock capital		2,980,811	26	2,980,811	28
	Capital surplus	6 (16)				
3200	Capital surplus		645,774	5	644,859	6
	Retained earnings	6 (17)				
3310	Legal reserve		496,980	4	459,993	4
3320	Special reserve		188,958	2	188,958	2
3350	Undistributed earnings		1,573,890	14	1,451,784	14
	Other equity	6 (18)				
3400	Other equity		48,105	-	(27,793)	(1)
3500	Treasury stock		(28,054)	-	(28,054)	-
31XX	**Equity attributable to owners of the parent Company**		5,906,464	51	5,670,558	53
36XX	**Non-controlling interest**		32,889	-	30,599	-
3XXX	**Total equity**		5,939,353	51	5,701,157	53
	Significant contingent liabilities and unrecognized contractual commitments	6(7), 7 and 9				
3X2X	**Total Liabilities and Equity**		$ 11,577,905	100	$ 10,766,302	100

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated 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. and subsidiaries
Consolidated 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(19) and 7	$ 7,969,700	100	$ 7,580,236	100
5000	**Operating cost**	6 (4)(22) and 7	(4,993,267)	(62)	(4,715,066)	(62)
5950	**Operating gross profit**		2,976,433	38	2,865,170	38
	Operating expenses	6 (22)				
6100	Marketing expenses		(1,939,653)	(24)	(1,889,407)	(25)
6200	Administrative expenses		(197,320)	(3)	(213,959)	(3)
6300	Research and development expenses		(451,784)	(6)	(403,385)	(6)
6450	Expected credit impairment loss	12 (2)	(13,036)	-	(21,977)	-
6000	**Total operating expenses**		(2,601,793)	(33)	(2,528,728)	(34)
6900	**Operating profit**		374,640	5	336,442	4
	Non-operating revenues and expenses					
7010	Other income	6(20) and 7	48,251	1	51,604	1
7020	Other profits and losses	6 (21)	4,559	-	5,290	-
7050	Financial costs	6 (23)	(43,993)	(1)	(37,651)	-
7060	Shareholding in the affiliated companies and joint ventures under the equity method	6 (6)	62,097	1	94,803	1
7000	**Total non-operating revenues and expenses**		70,914	1	114,046	2
7900	**Net profit before taxation**		445,554	6	450,488	6
7950	Income tax expenses	6 (24)	(60,732)	(1)	(83,541)	(1)
8200	**Net income**		$ 384,822	5	$ 366,947	5

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China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated 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 %
	Other comprehensive profit or loss (net)					
	The items that are not re-classified as profit or loss					
8311	Reevaluation of determined benefit plan	6 (14)	($ 3,507)	-	($ 29,622)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (5)(18)	130,839	1	(35,642)	(1)
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(7,028)	-	3,647	-
8349	Incomes tax related to titles not subject to reclassification	6 (24)	1,138	-	8,549	-
8310	**Total amount of items not reclassified to profit or income**		121,442	1	(53,068)	(1)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences from the translation of financial statements of foreign operations	6 (18)	(39,909)	-	(10,917)	-
8370	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.	6 (18)	(709)	-	(99)	-
8399	Income tax related to items possibly be reclassified	6 (18) (24)	7,982	-	2,851	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(32,636)	-	(8,165)	-
8300	**Other comprehensive profit or loss (net)**		$ 88,806	1	($ 61,233)	(1)
8500	**Current period other comprehensive income (Gross)**		$ 473,628	6	$ 305,714	4
	Net income (loss) attributable to:					
8610	Owners of parent		$ 384,690	5	$ 369,870	5
8620	Non-controlling interest		$ 132	-	($ 2,923)	-
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 473,456	6	$ 308,605	4
8720	Non-controlling interest		$ 172	-	($ 2,891)	-
	Earnings per share	6 (25)				
9750	**Basic and diluted earnings per share**		$	1.29	$	1.24

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated 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. and subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
January 1 to December 31, 2019 and 2018

Unit: NTD thousand

		Equity of the parent company													
			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	Non-controlling interest	Total equity
2018															
Balance at January 1		$ 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	$ 40,552	$ 5,603,695
Influence value of modified retrospective approach		-	-	-	-	-	-	(23,173)	-	85,739	(85,107)	-	(22,541)	-	(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	40,552	5,581,154
Net income		-	-	-	-	-	-	369,870	-	-	-	-	369,870	(2,923)	366,947
Current period other comprehensive income	6 (18)	-	-	-	-	-	-	(19,614)	(8,165)	(33,486)	-	-	(61,265)	32	(61,233)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	350,256	(8,165)	(33,486)	-	-	308,605	(2,891)	305,714
The 2017 appropriation and distribution of earnings	6 (17)														
Legal reserve		-	-	-	-	31,073	-	(31,073)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	356	-	-	-	-	-	-	-	-	356	-	356
Changes in the ownership equity on a subsidiary		-	-	-	(156)	-	-	-	-	-	-	-	(156)	-	(156)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(7,062)	(7,062)
Equity instrument at fair value through other comprehensive income statement	6 (5)(16)	-	-	-	-	-	-	14,738	-	(14,738)	-	-	-	-	-
Balance at December 31		$ 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	$ 30,599	$ 5,701,157
2019															
Balance at January 1		$ 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	$ 30,599	$ 5,701,157
Net income		-	-	-	-	-	-	384,690	-	-	-	-	384,690	132	384,822
Current period other comprehensive income	6 (18)	-	-	-	-	-	-	(9,437)	(32,636)	130,839	-	-	88,766	40	88,806
Current period other comprehensive income (Gross)		-	-	-	-	-	-	375,253	(32,636)	130,839	-	-	473,456	172	473,628
The 2018 appropriation and distribution of earnings	6 (17)														
Legal reserve		-	-	-	-	36,987	-	(36,987)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(238,465)	-	-	-	-	(238,465)	-	(238,465)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	474	-	-	-	-	-	-	-	-	474	-	474
Changes in the ownership equity on a subsidiary		-	-	-	441	-	-	-	-	-	-	-	441	-	441
Equity instrument at fair value through other comprehensive income statement	6 (5)(18)	-	-	-	-	-	-	22,305	-	(22,305)	-	-	-	-	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	2,118	2,118
Balance at December 31		$ 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	$ 32,889	$ 5,939,353

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated 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. and subsidiaries
Consolidated 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		$ 445,554	$ 450,488
Adjustments			
Profits and loss			
Depreciation expenses	6 (7)(8)(22)	246,663	246,283
Amortization expenses	6 (22)	10,839	9,604
Expected credit impairment loss	12 (2)	13,036	21,977
Increase of allowance for sales return and allowance		(10,482)	(11,218)
Interest expenses	6 (23)	43,993	37,651
Interest revenue	6 (20)	(21,748)	(28,368)
Dividend income	6 (5)(20)	(9,900)	(10,400)
Gain (loss) on financial assets and liabilities at fair value through profit and loss	6 (21)	(1,253)	-
Gain (loss) in disposal of real estate, plant buildings, equipment & facilities	6 (21)	179	(870)
Shareholding in the affiliated companies and joint ventures under the equity method	6 (6)	(62,097)	(94,803)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Acquisition of financial assets at fair value through profit or loss		(64,815)	-
Bills receivable (including related party and non-related party)		60,754	35,016
Accounts receivable (including related party and non-related party)		(124,860)	(256,609)
Other account receivable- (including related party and non-related party)		(19,606)	2,919
Inventory		(64,583)	(447,307)
Other current assets- Other		20,356	8,513
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		8,157	(219)
Payable notes		(109,704)	15,267
Accounts payable		2,276	164,248
Other payables		29,245	67,592
Refund liability - liquidity		21,693	15,060
Liability reserve		-	99
Other current liabilities- other		4,788	(29,000)
Other non-current liabilities		(43,856)	(24,667)
Cash inflow from operating activities		374,629	171,256
Interest received		21,748	27,433
Interest payment		(44,120)	(38,232)
Income tax payment		(100,954)	(69,697)
Income tax refund		13,178	-
Dividends received		63,032	62,166
Net cash inflow from operating activities		327,513	152,926

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated 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			
Decrease of the financing amount receivable		($ 17,500)	$ -
Decrease in financial assets based on cost after amortization		-	3,000
Decrease (increase) in restricted deposits (Recognized as other financial assets- current)		21,941	(716)
Acquisition of financial assets at fair value through other comprehensive profit or loss	6 (5)	(100,632)	(24,554)
Value of disposal of financial assets measured at FVTOCI	6 (5)	49,887	27,466
Acquisition of investment under the equity method	6 (6) and 7	(23,500)	(37,593)
Purchase of property, plant, and equipment	6 (26)	(489,805)	(207,713)
Proceeds from disposal of property, plant and equipment		73	1,741
Purchase of intangible assets		(2,545)	(9,229)
Decrease (increase) in deposits paid		(18,200)	6,283
Decrease (increase) of other non-current assets		(6,501)	7,016
Loss of the influence value for control of the subsidiary		-	(7,458)
Net cash outflow from investing activities		(586,782)	(241,757)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (27)	258,870	(59,427)
Increase (decrease) in short-term payable notes	6 (27)	(42,497)	17,306
Reimbursement of the lease principal	6 (27)	(10,336)	-
Current borrowing amount of long-term loan	6 (27)	460,000	847,000
Current repaying amount of long-term loan	6 (27)	(40,000)	(698,000)
Increase in deposits paid	6 (27)	(6,482)	(1,277)
Cash dividend released	6 (17)	(238,465)	(178,849)
Change in non-controlling interest		2,118	2,070
Net cash inflow (outflow) from financing activities		383,208	(71,177)
Impact of changes in exchange rate on cash and cash equivalents		(14,726)	(9,049)
Increase (decrease) in cash and cash equivalents for the current period		109,213	(169,057)
Balance of cash and cash equivalents, beginning of period	6 (1)	594,627	763,684
Balance of cash and cash equivalent, end of period	6 (1)	$ 703,840	$ 594,627

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated 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. and subsidiaries
Notes to consolidated financial statement
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 Republic of China, along with The Company and its subsidiary (hereinafter referred to as "The Group") with the major business in manufacturing and selling pharmaceutical products and health products as well as import business of relating medical appliances; commission construction company to build commercial building for rent and sale business.

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

2. Financial reporting date and procedures

These consolidated financial statements were authorized 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 Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group'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 Group 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 Group has increased the right-of-use (ROU) asset and

lease liability by NT$ 72,713, respectively, on January 1, 2019 to reflect the lessee contracts. According to the regulation of IFRS 16, to recognize the prepaid rent relating to the lease contract, which is represented as long-term pre-paid rent - land access on the balance sheet reported in the past accounting period (listed as other non-liquidity liabilities), is re-classified as right-of-use asset with a balance amount of NT$19,401 on January 1, 2018.

3. The following practical expedients were adopted, when IFRS16 standard was first applied by the Group:
   (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$ 21,184 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.
4. A 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 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	$	46,820
Less: short-term lease exemptions	(	3,848)
Add: adjustments on the optional period assessment with reasonable certainty		31,453
Total lease contracts on January 1, 2019 from recognizable lease liabilities due to IFRS 16 application	$	74,425
The incremental borrowing rate of the Group at the date of initial application	1.15%	
Total recognized lease liabilities January 1, 2019 due to IFRS 16 application	$	72,137

(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 Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group’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
"Interest Rate Benchmark Reform" (IFRS 9, IAS 39 and Amendments to IFRS 7)	January 1, 2020
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 Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group's financial position and financial performance.

4. Summary of significant accounting policies

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

(1) Compliance Statement

These consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the new International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRS")

(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) Financial assets at fair value through other comprehensive income
   (3) The defined benefit obligation is recognized according to the pension fund assets deducting the present value of the defined benefit obligation.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. The basis of preparation for consolidated financial statements

(1) The Group includes all subsidiaries to draft the individual of the consolidated financial statements. The subsidiaries of the Group refers to the business entities (including the structured business entity) controlled by the Group. When the Group is exposed to the variable return of the subsidiary or is entitled to such variable return; also, when the Group can influence such variable return through the power over the subsidiary, the Group controls the subsidiary. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

(3) Profit or loss and the components of other comprehensive income are attributed to owners of the parent and non-controlling interests; the total amount of comprehensive income is also attributed to owners of the parent and non-controlling interests even if non-controlling interest derive a loss as result.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When The Group losses the control of the subsidiaries, the remaining investment is evaluated based on the fair value, and considered as the fair value of financial assets recognized initially or the capital of the associate or joint venture recognized initially, the difference amount between the fair value and book amount is recognized as profit or benefit of current period. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the financial statements:

			Percentage of shareholdings		
Investor	Name of the subsidiary	Nature of the operation	December 31, 2019	December 31, 2018	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Wholesale of medicine and medical equipment	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Medicine, wholesale of medicine equipment and home care service	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co.,Ltd.	Professional investment company	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Tairung Enterprise Co., Ltd.	Manufacture and sales of glass, plastics made containers	71.64	71.64	
China Chemical & Pharmaceutical Co., Ltd.	CCPC Health Biological Technology Co., Ltd.	Wholesale of biotechnology services and health products.	46.00	46.00	Note 1
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Manufacturer of cleaning products	73.96	80.00	

Chunghwa Senior Care Co., Ltd.	Warm-Up Social Enterprise Co., Ltd.	Food wholesaler	23.88	38.25	Note 2
Chunghwa Holding Co.,Ltd.	Timpco International Co., Ltd.	Professional investment company	100.00	100.00	
Timpco International Co., Ltd.	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	100.00	100.00	
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	100.00	100.00	
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	100.00	100.00	

Note 1: Only the earnings accumulated during the controlling period was consolidated. The investee entity carried out a capital reduction to make up losses, followed by a capital increase for new shares. The Group didn't subscribe the new shares in accordance with the original shareholding ratio, so the corresponding holding dropped from 60% to 46.00% and lost control.

Note 2: Means the original shareholding ratio was 51.00% when established in March 2018, due to the capital increase of the subsidiary in May of the same year, The Group did not subscribe according to the shareholding ration, which caused the shareholding ratio dropped to 38.25% and lost the control power, therefore, only the profit and loss with the control power is included.

3. Subsidiary company not included in the consolidated financial statements are as follows: Not applicable.
4. Adjustments on subsidiary companies with different accounting periods: Not applicable.
5. Significant limitations: Not applicable.
6. Subsidiaries over which the group has significant influence but not control: none

(4) Foreign-currency translations

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated 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 Group 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 Group even remains partial equity of the previous subsidiary but loses the control of the subsidiary of the foreign operations, the disposal will be fully benefit the foreign operation.

(5) <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 Group 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 Group classifies liabilities that do not meet any of the above criteria as non-current liabilities.

(6) <u>Cash equivalents</u>

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. The certificate of deposit corresponds to the previous definition and the purpose is to meet the acceptor for short-term cash of operation, classifying as cash equivalents.

(7) Financial assets at fair value through profit and loss

1. For financial assets that are not at amortized cost or at fair value through other comprehensive income.
2. The Group adopts trade date accounting for financial assets at fair value through profit or loss which are in correspondence with trade practice.
3. It was sated at fair value at initial recognition with trading costs recognized as profit & loss items. It continues to state at fair value while any income or loss generated was recognized as profit & loss items.

(8) 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 Group 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 Group 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 Group will recognize dividend in income.

(9) 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 Group measures the initial invoice amount for any short-term accounts receivable and bills of unpaid interests.

(10) Impairment of Financial Assets

The Group measures allowance for loss according to 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 component 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.

(11) The de-recognition of financial assets

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

(12) 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.

(13) 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.

(14) Investment accounted for under the equity method- affiliated enterprises

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.
2. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
3. 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 Group will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
5. When the Group 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 Group 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.

(15) 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 Group 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 ~ 22 years

Transport equipment	3 years ~ 16 years
Other equipment	1 years ~ 15 years

(16) 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 Group. 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
   (3) 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.

(17) Operating lease (leases)

Applicable in 2018

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.

(18) Intangible assets

1. The Patent Act purchased by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO., LTD., uses acquisition cost as the accrual basis with straight-line for amortization during the profit period.
2. The computer software which The Company and Chunghwa Yuming purchased 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.

(19) Losses in non-financial asset

The Group 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.

(20) 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.

(21) 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 group measures the initial invoice amount for any short-term accounts payable and bills of unpaid interests.

(22) De-recognition of financial liabilities

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

(23) 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 Group 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.

(24) 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 net defined benefit obligation is calculated annually by actuaries using the Projected Unit Welfare Method. The discount rate is determined by referring to the market yield rate of the government bonds (on the balance sheet date), which the balance sheet date is consistent with the currency and period of the defined benefit plan.
   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 Group 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.

(25) 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 Group 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 of this company and subsidiary companies. 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 Group 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.

(26) Treasury stock

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

(27) 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.

(28) Recognition of revenue

1. Merchandising- retail
   A. The Group manufactures and possesses an agency for selling medical products and the sales revenue is recognized when the control of products has been transferred to the customer, which

means the product has been delivered to the customer. The customer owns the discretionary power for the channel and price of the products and The Group 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.

B. The Group provides right of return for part of products, adopts expected value approach according to the historical experience to estimate the relevant refund liability, subsequently to evaluate the effectiveness of re-evaluation and assumption on each balance sheet date, and update the estimated return amount.

C. 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.

2. Labor revenue

The Company provides home care service. The service revenue means that the service hour and price provided to the customer which is recognized as income during the accounting report period.

(29) Government grant

Government grants is recognized as fair value when it is reasonably believed that the enterprise will follow the additional conditions of the government grants, and that grants are receivable. If the nature of the government grants is the compensation of the expense of The Group, the government grants should be recognized as the net income or loss of current period according to the systematic basis during the period when the relevant expense occurs. If the government grants relating to real property, plant, equipment and long-term pre-paid rent, will be recognized as net profit or loss of current period are taken as the deduction for the book value of that asset, and the useful life of that asset will be recognized as net profit or loss of the current period through the decrease of depreciation expense for subsidy.

(30) Operating segments

The operating segment information and the internal management reports submitted to the mainly operational decision makers are consistent in the way of reporting. The chief operating decision-maker is responsible for allocating resources to operating segments and evaluating their performance. The Board of Directors has been identified as the chief operating decision-maker of the Group.

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

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group'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:

(1) Critical judgments concerning the application of accounting policies

None.

(2) 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(3) for the book amount of the accounts receivable and note receivable of the Group 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 Group 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 Group 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 find Note 6(4) for the book amount of the inventory of the Group on December 31, 2019.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 8,953	$ 10,856
Check deposit and demand deposit	694,887	575,232
Time deposits	-	8,000
Cash equivalents- banker's acceptance bill	-	539
	$ 703,840	$ 594,627

1. The financial institutions that the Group deals with are with good credit quality; also, the Group deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. Please find Note 8 for the details regarding The Group uses cash and cash equivalents as pledge guarantee

(2) Financial assets at fair value through profit and loss

Item	December 31, 2019
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificate	$ 64,815
Evaluation adjustment	1,211
	$ 66,026

1. No financial asset at fair value through profit or loss was pledged by the Group for loan guarantee.
2. Please refer to Footnote #12.2 for credit risk exposed by financial asset at fair value through profit or loss

(3) Note receivable and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 326,252	$ 414,799
Less: Allowance for losses	(1,731)	(1,482)
	$ 324,521	$ 413,317

	2019	2018
Accounts receivable	$ 1,752,489	$ 1,631,008
Less: Allowance for sales and discount	(50,059)	(60,541)
Less: Allowance for losses	(53,382)	(46,602)
	$ 1,649,048	$ 1,523,865

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	$ 1,665,495	$ 326,252	$ 1,365,957	$ 414,799
31 to 90 days	29,737	-	203,366	-
91 to 180 days	23,351	-	41,122	-
Over 181 days	33,906	-	20,563	-
	$ 1,752,489	$ 326,252	$ 1,631,008	$ 414,799

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$ 1,749,582 and NT$ 16,566, 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 Group without considering the possessed collateral or other credit enhancement condition on December 31, 2019 and 2018 are its book value.
4. The accounts receivable listed in the account of The Group does not possess any collateral.
5. Please find Note 12, (2) for the relevant explanation about credit risk.

(4) Inventory

	December 31, 2019		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 768,912	($ 5,116)	$ 763,796
Material	125,295	(175)	125,120
Work in process	291,131	(2,323)	288,808
Finished products	598,346	(4,555)	593,791
Merchandise inventory	425,128	(15,804)	409,324
	$ 2,208,812	($ 27,973)	$ 2,180,839

	December 31, 2018		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 787,419	($ 3,356)	$ 784,063
Material	127,257	(1,276)	125,981
Work in process	352,744	(7,244)	345,500
Finished products	582,438	(8,656)	573,782

Merchandise inventory	335,875	(30,120)	305,755
	$ 2,185,733	($ 50,652)	$ 2,135,081

The cost of inventory recognized as expense of The Group within the current period:

	2019	2018
Cost of inventory sold	$ 4,940,788	$ 4,664,496
Labor service cost	33,395	18,893
Falling price of inventory	19,084	31,677
	$ 4,993,267	$ 4,715,066

(5) 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	131,194	30,710
	296,888	223,986
Evaluation adjustment	160,171	51,637
	$ 457,059	$ 275,623

1. The Group 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$ 49,887and NT$ 27,466, respectively, from stock trading. Disposition profits were NT$ 22,305 and NT$ 14,738 respectively.
3. 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 measured at fair value through other comprehensive income		
Recognized in comprehensive income of changes in fair value.	$ 130,839	($ 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

4. Suzhou Chung-Hua Chemical & Pharmaceutical, a subsidiary, subscribed NT$ 17,432 in shareholding of Kunshan CDIB Yida Healthcare Enterprise Ltd.
5. The Group, in December, 2019, acquired 5.37% equity from Mega Pro Biomedical Co., Ltd for NT$ 83,200

(6) Investment under the equity method

Name of affiliated enterprises	December 31, 2019	December 31, 2018
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
Warm-Up Social Enterprise Co. Ltd. (Warm-up)	1,123	934
Shanghai Chiapeng Health Management Consulting Co., Ltd. (Shanghai Chiapeng)	24,541	31,807
	$ 936,480	$ 912,366

1. Basic information of significant associate of the Group is as follows:

Company name	Major places of business	Ratio of Shareholding December 31, 2019	Ratio of Shareholding December 31, 2018	Nature of relationship	Measuring method
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 Group'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)	(384,549)
Non-current liabilities	(235,006)	(162,406)
Total net assets	$ 2,202,844	$ 1,837,334
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. Summary of profit sharing from associates with no significant control:

	2019	2018
Net loss of current period	($ 23,538)	($ 3,353)
Other comprehensive income (post-tax profit or loss)	-	-
Current period other comprehensive income (Gross)	($ 23,538)	($ 3,353)

4. The shares of profit and/or loss at equity method over the associates as follows:

Name of affiliated enterprises	2019	2018
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	$ 19,237	$ 52,031
SINO-JAPAN CHEMICAL., CO., LTD	57,788	44,827
PHERMPEP CO., LTD.	(7,963)	(1,241)
Warm-up	(560)	(411)
Shanghai Chiapeng	(6,405)	(403)
	$ 62,097	$ 94,803

5. Phermpep Co., Ltd. made cash capital increase with NT$20,000 in October 2018 and The Group made capital increase with NT$5,000. Since the capital increase did not follow the shareholding ratio, The Group has re-recognized the investment with equity method for the fair value of the day. The Group only includes the profit or loss during the period with control power in the consolidated statement, please find Note 4(3) for explanation.
6. Phermpep Co raised additional cash capital by NT$ 10,000 and NT$ 40,000, respectively, in August, 2019 and December, 2019. The Group made additional investment to the entity proportionally by 4,600 and NT$ 18,400.
7. The Group acquired 30% equity share of Shanghai Chiapeng with the price of NT$1,344 in September 2018 and increased the capital NT$31,249 by shareholding ratio in December of that year.
4. The Group made additional investment of NT$ 500 to Warm Up coffee. The addition was not in accordance with the original shareholding percentage. The holding ratio dropped to 23.88% from 38.25%.
9. The significant associate of the Group-CCSB is public offering and its fair values of December 31, 2019 and 2018 are, respectively, NT$615,253 and $395,148.

(7)Property, plant, and equipment

2019

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1							
Cost	$ 970,870	$ 3,160,321	$ 1,162,324	$ 51,430	$ 102,155	$ 761,898	$ 6,208,998
Accumulated depreciation	-	(1,187,282)	(514,817)	(33,173)	-	(525,458)	(2,260,730)
	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268
January 1	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268
Additions	50,942	169,886	51,111	2,585	217,444	41,738	533,706
Transfer	-	13,868	48,701	2,533	(91,080)	25,978	-
Disposition	-	-	(60)	-	-	(192)	(252)
Reclassification	-	-	-	-	-	(446)	(446)
Depreciation expenses	-	(85,479)	(81,236)	(5,203)	-	(63,597)	(235,515)
Net exchange differences	-	(4,759)	(3,888)	(212)	-	(1,751)	(10,610)
December 31	$ 1,021,812	$ 2,066,555	$ 662,135	$ 17,960	$ 228,519	$ 238,170	$ 4,235,151
December 31							
Cost	$ 1,021,812	$ 3,338,647	$ 1,252,423	$ 55,482	$ 228,519	$ 819,738	$ 6,716,621
Accumulated depreciation	-	(1,272,092)	(590,288)	(37,522)	-	(581,568)	(2,481,470)
	$ 1,021,812	$ 2,066,555	$ 662,135	$ 17,960	$ 228,519	$ 238,170	$ 4,235,151

2018

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1							
Cost	$ 970,870	$ 3,143,695	$ 1,125,041	$ 51,474	$ 54,628	$ 752,984	$ 6,098,692
Accumulated depreciation	-	(1,104,313)	(452,647)	(30,769)	-	(468,840)	(2,056,569)
	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123
January 1	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123
Additions	-	9,225	46,259	6,883	82,367	43,443	188,177
Transfer	-	11,014	17,798	-	(34,835)	6,023	-
Disposition	-	-	(3)	(800)	-	(68)	(871)
Disposition of subsidiaries	-	-	-	-	-	(7,703)	(7,703)
Reclassification	-	-	-	-	-	(5,323)	(5,323)
Depreciation expenses	-	(83,771)	(80,424)	(7,376)	-	(74,713)	(246,284)
Net exchange differences	-	(2,811)	(8,517)	(1,155)	(5)	(9,363)	(21,851)
December 31	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268
December 31							
Cost	$ 970,870	$ 3,160,321	$ 1,162,324	$ 51,430	$ 102,155	$ 761,898	$ 6,208,998
Accumulated depreciation	-	(1,187,282)	(514,817)	(33,173)	-	(525,458)	(2,260,730)
	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268

1. Properties, plants and equipment above are for business use.
2. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.
3. The Group 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.

(8) Lease transaction - lessee

Applicable in 2019

1. Underlying assets leased by the Group 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	$	53,385	($	3,841)
Buildings		41,420	(	7,096)
Delivery facilities (business vehicles)		18	(	211)
	$	94,823	($	11,148)

3. Profit and loss items relating to lease contracts:

	2019	
Profit and loss items with current impacts		
Interest expense on the lease liability	$	768
Low-value leases expense		10,190
Short-term lease expense		12,394

4. 2019 total cash outflows for lease purpose was NT$ 33,688.
5. Options to extend lease
   (1) Options to extend lease term are included in land leases for office buildings, which have helped increase operation agility for the Group.
   (2) Upon determining lease term, the Group has 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$ 25,146, based on the assessment of option to extend.

(9) Other non-current assets

	December 31, 2019		December 31, 2018	
Prepayments for equipment	$	21,953	$	51,541
Long-term pre-paid rent - land access		-		19,401
Refundable deposits		50,695		32,512
Long-term pre-paid payment		36,855		101,115
Other non-current assets- Other		63,501		57,678
Less: accumulated impairment	(	30,747)	(	30,747)
	$	142,257	$	231,500

1. The government agency of Suzhou City committed Suzhou Chung-Hwa that they will provide the industrial development guide fund within 6 months after the national land use rights for the new plant is obtained and assume the basic piping engineering fee for the new plant. Since year (2014) of moving the plant and commissioning, the actual company tax to national advanced/ new technology industrial developing area in Suzhou for financial contribution as full-amount reward for the first and second year, then cut the reward in half for the third to five years, the total amount of the subsidy for the first three years can't exceed NT$268,873 (RMB$55,863,0000). Suzhou Chung-Hua Chemical & Pharmaceutical has received a subsidy of NT$ 110,460 (or CNY$22,950 thousand) from the local government industrial funding, which was to reduce the cost of the rights to use land (recorded as long-term prepaid rent). The subsidy was then transferred to "right-of-use asset" in 2019 and will be recognized as a rent reduction under profit and loss throughout the lease term.
2. Please find Note 9(2) for the explanation about the long-term prepaid payment and the accumulated impairment loss.

(10) Shot-term borrowings

	December 31, 2019	December 31, 2018
Financial institution loan		
Secured loans	$ 537,000	$ 330,000
Credit loan	562,500	570,000
Material procurement loan	168,524	109,173
Non-financial institution loan	11,847	11,828
	$ 1,279,871	$ 1,021,001
Interest rate collars	1.03%~1.20%	1.03%~1.21%

By December 31, 2019 and 2018, besides the short-term loan amount as stated in Note 8, The Group has issued cashier's checks, respectively, with NT$790,000 and $820,000 as collateral.

(11) Short-term notes payable

	December 31, 2019	December 31, 2018
Commercial papers	$ 67,500	$ 110,000
Less: Discount of short-term notes and bills payable	(20)	(23)
	$ 67,480	$ 109,977
Interest rate collars	1.17%~1.30%	1.13%~1.23%

The short-term bill is guaranteed by the bills finance company and financial instrument which is issued for short-term capital use, by December 31, 2019 and 2018, the cashier's checks have been issued, respectively, with NT$80,000 and NT$180,000 as collateral for short-term bill receivable.

(12) Other payables

	December 31, 2019	December 31, 2018
Salary and bonus payables	$ 277,624	$ 253,482
Accrued expenses	127,435	109,204
Commission payable	100,152	119,700
Equipment payables	42,526	28,213
Other payables	17,455	4,669
	$ 565,192	$ 515,268

(13) Long-term borrowings

	December 31, 2019	December 31, 2018
Secured loans	$ 828,000	$ 618,000
Credit loan	1,420,000	1,210,000
	2,248,000	1,828,000
Minus: long-term borrowing due within 12 months	(21,000)	-
	$ 2,227,000	$ 1,828,000
Interest rate collars	1.15%~1.645%	1.10%~1.65%

1. The re-payment term for unsecured loan and secured loan will be due from 2020 to 2022.
2. The detail for the unused loan amount of The Group is as follows:

	December 31, 2019	December 31, 2018
Floating annual rate		
Maturing in one year or less	$ 2,299,340	$ 2,241,560
Mature beyond one year	102,000	62,000
	$ 2,401,340	$ 2,303,560

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.

(14) Pension

1. (1) The Company and its domestic subsidiaries have 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 and subsidiary companies provisions 6% 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 and subsidiary have 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 and subsidiary will have the spread amount appropriated in a lump sum before the

end of March next year.

(2) Chunghwa Senior Care Co., a subsidiary, on September 26, 2019 received approval letter from Department of Labor, Taipei City Labor (per Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds #9) to close the pension account and withdraw the residual balance. A letter from Bank of Taiwan indicated the practice above is not in compliance with “Labor Standards Act” regarding transferring manager pension payable to other payables.

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

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	($ 504,477)	($ 514,892)
The fair value of plan assets	347,127	306,658
Net defined benefit liability (listing as non-liquidity liability)	($ 157,350)	($ 208,234)

(4) 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	($ 514,892)	$ 306,658	($ 208,234)
Current service cost	(4,883)	-	(4,883)
Interest expenses (income)	(3,962)	2,381	(1,581)
	(523,737)	309,039	(214,698)
Revaluation amount:			
Assumption of change in Influence value for demography.	(331)	-	(331)
The effect of changes in financial assumptions	(3,086)	-	(3,086)
Experience adjustments	(11,703)	11,613	(90)
	(15,120)	11,613	(3,507)
The appropriation of pension fund	-	53,828	53,828
Pension payments	24,587	(24,587)	-
Transferring other payables.	9,793	(2,766)	7,027
Balance at December 31	($ 504,477)	$ 347,127	($ 157,350)

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2018			
Balance at January 1	($ 482,792)	$ 279,513	($ 203,279)
Current service cost	(5,341)	-	(5,341)
Interest expenses (income)	(5,114)	2,978	(2,136)

	(493,247)	282,491	(210,756)
Revaluation amount:			
Assumption of change in Influence value for demography.	906	-	906
The effect of changes in financial assumptions	(7,513)	-	(7,513)
Experience adjustments	(31,312)	8,297	(23,015)
	(37,919)	8,297	(29,622)
The appropriation of pension fund	-	32,144	32,144
Pension payments	16,274	(16,274)	-
Balance at December 31	($ 514,892)	$ 306,658	($ 208,234)

(5) 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.

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

	2019	2018
Discounted rate	0.59%-0.66%	0.5%-0.81%
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	($10,443)	$22,070	$21,824	($10,458)
December 31, 2018				

The impact on the present value of the defined benefit obligations	($13,024)	$19,047	$18,834	($13,058)

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.

(7) The Group has appropriated $39,754 to the pension plan in 2020.

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

2. (1) Since July 1, 2005, the company and domestic subsidiaries have established definitive provision pension scheme for employees with Taiwan nationality in accordance with the “Labor Pension Act”. 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) In terms of the pension insurance system of the SCCPC regulated by the government of the People's Republic of China, pension insurance premiums based on a certain percentage of the total salary of local employees are appropriated every month. The ratio is 16% to 19% respectively, for the years 2019 and 2018. The pension of each employee is arranged by the government. The Group has no further obligations other than appropriating the pension each month.

(3) For 2019 and 2018, the net pension cost recorded by the company according to the above-mentioned pension plans are $66,098 and $59,7608 respectively.

(15) 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.

(16) 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.

(17) Retained earnings

1. According to the Articles of Incorporation of The Company, the dividend 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 the cash dividends shall not be less than 50% of the shareholder bonus and if the cash dividend is less than NT$0.1, the stock dividends 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 “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	

The distribution status of the earnings can be inquired on “Market observation post system” of Taiwan Stock Exchange Corporation.

6. Please refer to Note 6 (22) for the information of remuneration to employees and directors.

(18) Other equity

	2019 Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1	$ 37,515	($ 65,308)	($ 27,793)
Evaluation adjustment:			
-Group	130,839	-	130,839
-Valuation adjustment changes to retained earnings	(22,305)	-	(22,305)
Foreign currency translation differences:			
-Group	-	(31,927)	(31,927)
-Affiliated enterprises	-	(709)	(709)
December 31	$ 146,049	($ 97,944)	$ 48,105

	2018 Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1	$ 85,107	($ 57,143)	$ 27,964
-Translation adjustment which is applicable for new criterion.	632	-	632
January 1_IFRS 9	85,739	(57,143)	28,596
Evaluation adjustment:			
-Group	(35,642)	-	(35,642)
-Affiliated enterprises	2,156	-	2,156
Valuation adjustment changes to retained earnings	(14,738)	-	(14,738)
Foreign currency translation differences:			
-Group	-	(10,917)	(10,917)
-Tax of the group	-	2,851	2,851
-Affiliated enterprises	-	(99)	(99)
December 31	$ 37,515	($ 65,308)	($ 27,793)

(19) Operating revenue

	2019	2018
Revenue from sales contract	$ 7,900,865	$ 7,548,985
Revenue from labor service contract	68,835	31,251
	$ 7,969,700	$ 7,580,236

1. Subdivision of the revenue from contracts with customers
   The Group generates revenue by transferring products and labor services to customers either at a point in time or over time. Revenue details are listed as follows:

2019	Taiwan region	China and other regions	Total
Revenue from sales contract	$ 5,078,220	$ 2,822,645	$ 7,900,865
Revenue from labor service contract	30,948	37,887	68,835
	$ 5,109,168	$ 2,860,532	$ 7,969,700

2018	Taiwan region	China and other regions
Revenue from sales contract	$ 4,694,423	$ 2,854,562
Revenue from labor service contract	31,251	-
	$ 4,725,674	$ 2,854,562

2. Contractual liability
   The contractual liability relating to the contract with a customer which The Group recognizes is as follows:

	December 31, 2019	December 31, 2018	January 1, 107
Contractual liability- Sales contract of medicine	$ 60,631	$ 54,390	$ 61,445

3. Current income recognized from beginning lease liability in the year of 2019 and 2018 were NT$ 54,390 and NT$ 61,445, respectively.
4. The refund liability which The Group recognized for some goods with right of return is as follows:

	December 31, 2019	December 31, 2018
Refund liability- estimation of sales return	$ 69,278	$ 47,585

(20) Other income

	2019	2018
Interest revenue		
Interest from bank deposits	$ 16,198	$ 23,300
The interest revenue of financial assets at amortized cost	-	22
Other interest incomes	5,550	5,046
Sum of interest revenue	21,748	28,368
Dividend income	9,900	10,400
Other Revenue- other	16,603	12,836
	$ 48,251	$ 51,604

(21) Other profits and losses

	2019	2018
Gain (loss) in disposal of real estate, plant buildings, equipment & facilities	($ 179)	$ 870
Foreign exchange profit	3,534	4,956
Gain in financial assets at fair value through profit and loss	1,253	-
Other losses	(49)	(536)
	$ 4,559	$ 5,290

(22) Employees' welfare and depreciation, amortization expenses

Characteristics / Functionality	2019 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 473,978	$ 805,107	$ 1,279,085
Labor insurance and national health insurance	41,619	63,974	105,593
Pension expenses	25,468	47,094	72,562
Other employee benefits expenses	34,683	46,634	81,317
Depreciation expenses	173,188	73,475	246,663
Amortization expenses	2,292	8,547	10,839

Functionality / Characteristics	2018 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 407,696	$ 747,439	$ 1,155,135
Labor insurance and national health insurance	33,746	57,939	91,685
Pension expenses	22,077	45,160	67,237
Other employee benefits expenses	21,630	55,431	77,061
Depreciation expenses	176,839	69,444	246,283
Amortization expenses	1,634	7,970	9,604

1. According to the Articles of Incorporation of the Company, the Company, in accordance with the accumulated profit after deducting the accumulated losses, shall have the "remuneration to employees" appropriated for an amount equivalent to 1%~5% of the remaining earnings and not more than 3% of the earnings as the remuneration of the directors, if any.
2. (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 the bonus of the members of the board.
   (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.
3. Information on the employee and remuneration for directors as approved by the board of directors can be found on the Market Observation Post System.

(23) Financial costs

	2019	2018
Interest expenses:		
Bank loan	$ 43,069	$ 37,531
Non-financial institution loan	120	120
Other Interest expenses	804	-
	$ 43,993	$ 37,651

(24) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Current income tax	$ 75,982	$ 95,677
Additional levy on undistributed earnings	34	10,501
Overestimated income tax in prior periods	(24,696)	(10,690)
Total Current income tax	51,320	95,488
Deferred income tax:		
Origin and reversal of temporary differences	9,412	(1,716)
The influence of change in tax rate	-	(10,231)
Total deferred income tax	9,412	(11,947)
Income tax expenses	$ 60,732	$ 83,541

(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	1,138	(5,924)
The influence of change in tax rate	-	(3,293)
	$ 9,120	($ 11,400)

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	$ 98,089	$ 100,318
Tax-free income by Income Tax Law	(17,076)	(2,494)
The unrealized income according to the tax act.	(3,208)	(22,543)
Excluded expenses by Income Tax Law	7,507	14,481
The unrecognized deferred income tax assets with temporary difference.	29	3,106
Tax loss-unrecognized deferred income tax assets	129	1,799
The realized evaluation change of deferred income tax assets	-	(706)
Additional levy on undistributed earnings	34	10,501
The influence value of the temporary difference in current tax rate and unrecognized	(77)	-
The influence of change in tax rate	-	(10,231)
Overestimated income tax in prior periods	(24,695)	(10,690)
Income tax expenses	$ 60,732	$ 83,541

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

2019

	January 1	Recognized in the profit or loss	Recognized in the other comprehensive income	Net exchange differences	December 31
Timing difference:					
-Deferred income tax assets:					
Inventory valuation and obsolescence losses	$ 9,460	($ 4,015)	$ -	($ 81)	$ 5,364
Gross profit influence of sales discounts and allowances	12,226	(2,097)	-	-	10,129
Gross profit influence of sales return	3,756	1,194	-	-	4,950
Transfinite number of allowance for doubtful accounts loss	17,948	2,183	-	(23)	20,108
Unrealized gross profit	15,955	2,750	-	-	18,705
Unrealized expense	26,788	(1,909)	-	(514)	24,365
Net determined benefit liability	24,644	(6,446)	-	-	18,198
Investment loss of equity method	18,376	183	-	-	18,559
Impairment loss	6,148	-	-	-	6,148
Depreciation on class of real property, plant and facility.	1,783	(598)	-	(45)	1,140
Government grant income	20,892	(181)	-	(783)	19,928
Defined benefit obligation revaluation amount and volume	22,914		701	-	23,615
Translation adjustment of the foreign operation	6,633	-	7,982	-	14,615
Others	2,351	-	-	-	2,351
Tax loss	997	933	-	(43)	1,887
Subtotal	$ 190,871	($ 8,003)	$ 8,683	($ 1,489)	$ 190,062
-Deferred income tax liabilities:					
Unrealized exchange gain	$ -	($ 11)	$ -	$ -	($ 11)
Income of investment under the equity method	(61,098)	1,273	-	-	(59,825)
Revaluation increment of land	(65,411)	-	-	-	(65,411)
Unrealized exchange gain	(694)	203	-	-	(491)
Net determined benefit liability	(353)	(2,874)	-	-	(3,227)
Defined benefit obligation revaluation amount and volume	(437)	-	437	-	-
Subtotal	($ 127,993)	($ 1,409)	$ 437	$ -	$ 128,965
Total	$ 62,878	($ 9,412)	$ 9,120	($ 1,489)	$61,097

2018

	January 1	Influence value of IFRS 9	Recognized in the profit or loss	Recognized in the other comprehensive net loss	Net exchange differences	December 31
Timing difference:						
- Deferred income tax assets:						
Inventory valuation and obsolescence losses	$ 3,760	$ -	$ 5,718	$ -	($ 18)	$ 9,460
Gross profit influence of sales discounts and allowances	12,199	-	27	-	-	12,226
Gross profit influence of sales return	2,306		1,450	-	-	3,756
Transfinite number of allowance for doubtful accounts loss	7,206	4,638	6,121	-	(17)	17,948
Unrealized gross profit	12,357	-	3,598	-	-	15,955
Unrealized expense	20,385	-	6,596	-	(193)	26,788
Net determined benefit liability	24,615	-	29	-	-	24,644
Investment loss of equity method	17,473	-	903	-	-	18,376
Impairment loss	5,226	-	922	-	-	6,148
Depreciation on class of real property, plant and facility.	2,489	-	(691)	-	(15)	1,783
Government grant income	21,893	-	(806)	-	(195)	20,892
Defined benefit obligation revaluation amount and volume	14,316	-		8,598	-	22,914
Translation adjustment of the foreign operation	3,782	-	-	2,851	-	6,633
Tax loss	-	-	997	-	-	997
Others	2,281	-	70	-	-	2,351
Subtotal	$ 150,288	$4,638	$24,934	$ 11,449	($ 438)	$190,871
- Deferred income tax liabilities:						
Income of investment under the equity method	($ 49,068)	$ -	($12,030)	$ -	$ -	($ 61,098)
Revaluation increment of land	(65,411)	-		-	-	(65,411)
Unrealized exchange gain	(90)		(604)	-	-	(694)
Net determined benefit liability			(353)			(353)
Defined benefit obligation revaluation amount and volume	(388)	-	-	(49)	-	(437)
Subtotal	($ 114,957)	$ -	($12,987)	($ 49)	$ -	($127,993)
Total	$ 35,331	$4,638	$11,947	$ 11,400	($ 438)	$ 62,878

4. The relevant amounts of the validity period for the unused tax loss and unrecognized deferred income tax assets are as follows:

December 31, 2019

Occurrence year	Declared amount / verified amount	Non-deducted amount	Unrecognized deferred income tax assets	Final credit year
2010	Verified amount	$ 22,108	$ 22,108	2020
2011	Verified amount	32,377	32,377	2021
2012	Verified amount	26,978	26,978	2022
2013	Verified amount	10,579	10,579	2023
2014	Verified amount	16,746	16,746	2024
2015	Verified amount	42,789	42,789	2025
2016	Verified amount	14,030	14,030	2026
2017	Verified amount	15,041	15,041	2027
2018	Declared amount	8,993	8,993	2028
2019	Estimated figure	643	643	2029
		$ 190,284	$ 190,284	

December 31, 2018

Occurrence year	Declared amount / verified amount	Non-deducted amount	Unrecognized deferred income tax assets	Final credit year
2009	Verified amount	$ 13,295	$ 13,295	2019
2010	Verified amount	22,108	22,108	2020
2011	Verified amount	32,377	32,377	2021
2012	Verified amount	26,978	26,978	2022
2013	Verified amount	10,579	10,579	2023
2014	Verified amount	16,746	16,746	2024
2015	Verified amount	42,789	42,789	2025
2016	Verified amount	14,030	14,030	2026
2017	Verified amount	15,041	15,041	2027
2018	Declared amount	8,993	8,993	2028
		$ 202,936	$ 202,936	

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 18,292	$ 16,803

6. The Company's income tax return up to 2016 had been examined by the tax authorities. Filing from all other entities within the Group had been examined by the tax authorities, up to 2017.
7. In Taiwan, the Income Tax Act was promulgated into validity in February 7, 2018 whereunder the rate of profit-seeking enterprise income tax was raised from 17% to 20%. This amendment does not apply until FY 2018. The Group has evaluated relevant income tax influence for such changes in tax rates
8. 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 Group has reassessed the tax payable from the undistributed earnings.

(25) Earnings per share

Basic and diluted earnings per share

2019	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
The ordinary shares belong to the parent company.			
Current year's net income of shareholders	$ 384,690	297,253 thousand shares	$ 1.29

2018	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
The ordinary shares belong to the parent company.			
Current year's net income of shareholders	$ 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. In 2019 and 2018, since the imputed dilution effect of the common stock for employee's bonus is minor, the Company tends to not disclose the dilution of earnings per share.

(26) Supplementary information about the cash flows

Investing activities partially funded with cash:

	2019	2018
Purchase of property, plant, and equipment	$ 533,706	$ 188,177
Less: Initial prepayments for business facilities	(51,541)	(26,925)
Add: Ending prepayment for business facilities	21,953	51,541
Add: beginning balance of equipment amount payable	28,213	23,133
Less: Ending payment payable for business facilities	(42,526)	(28,213)
Cash Paid for the Period	$ 489,805	$ 207,713

(27) Changes in liability from financial activities.

	Shot-term borrowings	Short-term notes payable	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financial activities.
January 1, 2019	$ 1,021,001	$ 109,977	$ 1,828,000	$72,137	$ 35,846	$ 3,066,961
Borrowing	1,465,727	27,503	460,000	-	-	1,953,230
Repayment	(1,206,857)	(70,000)	(40,000)	(10,336)	(6,482)	(1,333,675)
Changes from non-cash items	-	-	-	15,075	-	15,075
Foreign exchange impact amount	-	-	-	-	(834)	(834)
December 31,	$ 1,279,871	$ 67,480	$ 2,248,000	$76,876	$ 28,530	$ 3,700,757

2019

	Shot-term borrowings	Short-term notes payable	Long-term borrowings	Deposits received	Total liabilities from financial activities.
January 1, 107	$ 1,080,428	$ 92,671	$ 1,679,000	$ 37,131	$ 2,889,230
Borrowing	-	17,306	847,000	-	864,306
Repayment	(59,427)	-	(698,000)	(2,461)	(759,888)
Foreign exchange impact amount	-	-	-	1,176	1,176
December 31, 2018	$ 1,021,001	$ 109,977	$ 1,828,000	$ 35,846	$ 2,994,824

7. Related party transactions

(1) Name and relationship of related parties

Name	Relationship with the Group
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	Associate of The Group
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	Associate of The Group
Warm-Up Social Enterprise Co. Ltd. (Warm-up)	Associate of The Group
PHERMPEP CO., LTD. (PHERMPEP)	Associate of The Group
Shanghai Chiapeng Health Management Consulting Co., Ltd. (Shanghai Chiapeng)	Associate of The Group
HU-YU CO., LTD (HU-YU)	The individual controlled by major management team of The Group

(2) Major transactions with related parties

1. Operating revenue

	2019	2018
Merchandising:		
The individual controlled by major management team- HU-YU	$ 301,413	$ 323,509
Affiliate business	2,304	1,276
	$ 303,717	$ 324,785

(1) The transaction price which the group 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 Net 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%. Due to the industry peculiarities, the payment is Net 240 days which is longer than the general transactions.

(2) The payment term of The Group 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 payment is still being delayed.

2. Purchases

	2019	2018
Purchase of goods:		
Affiliate business	$ 67,619	$ 57,568

The purchase from The Group to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing. However, part of payment is still delayed.

3. Accounts receivable and notes

	December 31, 2019	December 31, 2018
Accounts receivable and notes:		
The individual controlled by major management team- HU-YU	$ 236,594	$ 221,393
Affiliate business	10	6
	236,604	221,399
Less: Allowance for losses	(35,489)	(33,227)
Total	$ 201,115	$ 188,172

(1) The payment term of the group for general customers is 120 days to 180 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$ 223,596 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 Group 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
Accounts payable:		
Affiliate business	$ 27,843	$ 26,939

The purchase from The Group to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing. However, part of payment is still delayed.

5. Other receivable

(1) A. Related party of the loan funds.

	December 31, 2019	December 31, 2018
The individual controlled by major management team- HU-YU	$ 229,495	$ 200,299
Less: Allowance for losses	(33,149)	(30,045)
	$ 196,346	$ 170,254

B. Interest income

	2019	2018
The individual controlled by 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
The individual controlled by major management team- HU-YU	$ 2,708	$ 13,685
Affiliate business	2	-

	$ 2,710	$ 13,685

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

2019

	Account titles in book	Number of shares traded (thousand shares)	Object of transaction	Prices of acquirements
Associated entity- Warm Up Coffee	Investment accounted for under the equity method	-	Warm-Up Social Enterprise Co., Ltd.	$ 500
Associate- Phermpep	Investment accounted for under the equity method	2,300	CCPC Health Biological Technology Co., Ltd.	$ 23,000

2018

	Account titles in book	Number of shares traded (thousand shares)	Object of transaction	Prices of acquirements
Associate- Phermpep	Investment accounted for under the equity method	500	CCPC Health Biological Technology Co., Ltd.	$ 5,000
Associate- Shanghai Chiapeng	Investment accounted for under the equity method	-	Shanghai VisuScience Mediteh Co., Ltd.	$ 32,593

7. Provide the endorsement guarantee status of the related party

	December 31, 2019	December 31, 2018
The individual controlled by major management team- HU-YU	$ 262,000	$ 321,000

(3) Remuneration to key management

	2019	2018
Short-term employee benefits	$ 67,227	$ 63,775
Retirement benefits	1,423	1,804
	$ 68,650	$ 65,579

8. Pledged assets

The assets of the Group are offered as collateral as follows:

	Book Value		
Asset Item	December 31, 2019	December 31, 2018	Purpose of guarantee
Property, plant, and equipment	$ 2,792,480	$ 2,605,319	Long-term and short-term loan, purchase, .etc.
Demand deposit (listed in other financial assets- liquidity)	5,718	28,632	Bank's Acceptance Bill

9. Significant contingent liabilities and unrecognized contractual commitments

(1) 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.

(2) 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.
3. Chunghwa Yuming signed a distribution agreement for the new medicine with a Korean vendor- Celltrion Healthcare in January 2011 with the total amount of NT$343,300. As of December 31, 2017, the Company has made an accumulated payment of NT$ 64,260, originally recorded as “other non-current assets, long-term prepaid purchase.” The Company plans to start ordering and distributing the new product in 2020, as the drug permit license has obtained by the vendor. The pre-payment will be transferred to “pre-paid purchase, current.” The residual payments will be in two years ensuing the selling.
4. Chunghwa Yuming signed the distribution agreement for the new medicine with the vendor- Regulon in July 2011 with the total amount of EUR$1,800,000. By December 31, 2019, Chunghwa Yuming has paid NT$36,855(EUR$ 900,000) Account list as “other non-liquidity liabilities-long-term prepaid payment) However, after evaluation in 2015, Chunghwa Yuming realized the development of such new medicine is not as expected, therefore the recognition of impairment loss of NT$30,747 was listed.

10. Significant disaster loss

No such event

11. Significant subsequent events

Please find Note 6(17)5 for explanation of the earnings distribution.

12. Others

(1) Capital management

The Group'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 Group 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 Group's capital structure. The Group 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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the consolidated balance sheet plus net debts.

The strategy of The Company in 2019 is the same as that in 2018, which is dedicated to maintain the debt-to-capital ratio to 40% below. The debt-to-capital ratio of The Group in December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Total loan amount	$ 3,595,351	$ 2,958,978
Less: Cash and cash equivalent	(703,840)	(594,627)
Net debt	2,891,511	2,364,351
Total equity	5,939,353	5,701,157
Total capital	$ 8,830,864	$ 8,065,508
Liability/assets ratio	33%	29%

(2) Financial instruments

1. Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 66,026	$ -
Investment of equity instruments under financial asset at fair value through other comprehensive	457,059	275,623
Financial assets measured at the amortized cost		
Cash and cash equivalents	703,840	594,627
Notes receivable	476,269	544,764
Accounts receivable	1,698,415	1,580,590
Other receivables	249,758	216,402
Refundable deposits	50,695	32,512
Other financial assets	5,718	28,632
	$ 3,641,754	$ 3,273,150
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 1,279,871	$ 1,021,001
Short-term notes payable	67,480	109,977
Payable notes	28,590	143,158
Accounts payable	869,348	882,390
Other payables	565,192	515,268
Deposits received	28,530	35,846
The long-term loan (including the expiration of one year or an operating cycle).	2,248,000	1,828,000
	December 31, 2019	December 31, 2018
	$ 5,087,011	$ 4,535,640
Lease liability (including current and non-current)	$ 76,876	$ -

	December 31, 2019	December 31, 2018
	$ 5,087,011	$ 4,535,640
Lease liability (including current and non-current)	$ 76,876	$ -

2. Risk management policies

(1) The daily operation of The Group is 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 Group 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

Group.

(2) The risk management is executed by the financial department of The Group according to the policies approved by the board of directors. The financial department of the group works close with the operation unit of The Group to identify, evaluate and avoid risk. 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 Group is transnational, which suffers from the currency exchange rate fluctuations that are incurred 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 Group 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), and therefore are affected by the exchange rate fluctuation, the information about the currency with significant exchange rate fluctuation is as follows:

	December 31, 2019		
(Foreign currency: Functional currency)	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
JPY: NTD	$ 184,487	0.2772	$ 51,140
USD: NTD	2,395	30.08	72,042
JPY: RMB	17,139	0.0641	4,791
USD:RMB	2,001	6.96	60,705
Financial liabilities			
Monetary items			
USD: NTD	$ 7,616	30.08	$ 229,089
JPY: NTD	71,470	0.2772	19,811

	December 31, 2018		
(Foreign currency: Functional currency)	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
JPY: NTD	$ 183,569	0.2785	$ 51,124
USD: NTD	2,394	30.72	73,544
JPY: RMB	28,560	0.06	7,953

USD:RMB	1,330	6.87	40,858
Financial liabilities			
Monetary items			
USD: NTD	$ 6,832	30.72	$ 209,879
JPY: NTD	16,520	0.2785	4,601

C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of the group recognized in 2019 and 2018 are summed, respectively, as NT$(158) and NT$(4,956).

D. The analysis of foreign exchange risk affected by significant exchange rate fluctuation for The Group is as follows.

	2019		
	Sensitivity analysis		
(Foreign currency: Functional currency)	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss
Financial assets			
Monetary items			
USD: NTD	1%	$ 720	$ -
JPY: NTD	1%	511	-
USD:RMB	1%	607	-
JPY: RMB	1%	48	-
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 2,291	$ -
JPY: NTD	1%	198	-

	2018		
	Sensitivity analysis		
(Foreign currency: Functional currency)	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss
Financial assets			
Monetary items			
USD: NTD	1%	$ 511	$ -
JPY: NTD	1%	735	$ -
USD:RMB	1%	80	-
JPY: RMB	1%	409	-
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 2,099	$ -
JPY: NTD	1%	46	-

Price risk

A. Equity instruments with price risks held by the Group include financial assets at fair value through profit and loss and other comprehensive income. To manage the price risk for the investment of equity instrument, The Group will break down the investment portfolio which is followed by the limited amount set by The Group.

B. The Group mainly invests in the domestic 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 NT$4,571 and $2,756.

Cash flows and the interest risk of fair value

A. The interest risk of The Group comes from the long-term loan, short-term loan and short-term bills receivable. The Group 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 Group suffers from the interest rate risk of the fair value with the loan issued based on the fixed rate. The loan of The Group is mainly with floating rate. The loan amount of The Group 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 $2,876 and NT$2,367 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 Group 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 Group 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 Group 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:
The credit risk of a financial asset is deemed to increase significantly since the recognition when a contract payment is 30 day past due.

D. The Group 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 Group classifies the accounts receivable of the customers according to the features of customer type 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 Group writes off the receivable amount of the financial assets which can't be expected reasonably, however, The Group will still proceed with the low process for recourse to reserve the equity of liability. By December 31, 2019 and 2018, the Group did not have the liability for creditor's with recourse write-off.

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

(1) The associates of the Group are with excellent credits; therefore, the expected loss rate is 0.2%, and the total accounts receivable amounts and allowances for loss on December 31, 2019 and 2018 are, respectively, NT$10, NT$6 and NT$0.

(2) The expected loss rate for the individual of the management team of the Group 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 $221,393, NT$33,22.

(3) The Group 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	31 to 90 days overdue.	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2019					
Expected rate of loss	0.01%-2.55%	0.02%-22.40%	0.20%-100.00%	100.00%	
Total amount of the book value	1,991,747	29,737	23,351	33,906	2,078,741
Allowance for losses	13,295	1,005	6,907	33,906	55,113

	Overdue within 30 days	31 to 90 days overdue.	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2018					
Expected rate of loss	0.01%-0.69%	0.08%-24.21%	0.20%-100.00%	100.00%	
Total amount of the book value	1,780,756	203,366	41,122	20,563	2,045,807
Allowance for losses	5,532	10,856	11,133	20,563	48,084

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

	2019 Note receivable and accounts receivable	Other receivables	Total
January 1	$ 81,311	$ 30,045	$ 111,356
Recognition of impairment loss	13,036	-	13,036
Write-offs of uncollectable accounts	(288)	-	(288)
Foreign exchange impact amount	(353)	-	(353)
Reclassification	(3,104)	3,104	-
December 31	$ 90,602	$ 33,149	$ 123,751

	2018 Note receivable and accounts receivable	Other receivables	Total
January 1	$ 34,363	$ 28,198	$ 62,561
Impacts from applying IFRS 9 retrospectively.	27,803	-	27,803
Recognition of impairment loss	21,977	-	21,977
Write-offs of uncollectable accounts	(884)	-	(884)
Disposition of subsidiaries	(6)	-	(6)
Foreign exchange impact amount	(95)	-	(95)
Reclassification	(1,847)	1,847	-
December 31	$ 81,311	$ 30,045	$ 111,356

(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 below table is the derivative financial liabilities of The Group, which is classified based on the due date. The derivative financial liabilities are analyzed according to the remaining period between the date 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	$203,989	$1,084,999	$ -	$ -	$ -
Short-term notes payable	67,480	-	-	-	-
Payable notes	13,551	15,039	-	-	-
Accounts payable	684,527	184,790	-	31	-
Other payables	439,201	125,991	-	-	-
Lease liabilities	3,404	9,399	12,291	61,457	11,314
Long-term borrowings	7,174	42,685	1,819,874	438,595	-
Deposits received	3,378	1,811	10,543	12,798	-

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	$ 195,481	$ 825,520	$ -	$ -
Short-term notes payable	34,977	75,000	-	-
Payable notes	85,875	57,283	-	-
Accounts payable	710,308	172,082	-	-
Other payables	427,913	87,355	-	-
Long-term borrowings	5,454	16,363	1,741,639	100,863
Deposits received	5,546	11,227	4,920	14,153

(3) Fair value information

1. Please refer to Note 12 (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 Group 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 Group'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 Group 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	$ 46,402	$ 457,059

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 Group to measure fair value are described as follows:

A. The Group 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 Group 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 Group. 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 Group, 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	2018
	Equity instruments	Equity instruments
January 1	$ 31,033	$ 31,342
Increase of the current period	17,432	-
Evaluation adjustment	(1,915)	(309)
Foreign exchange impact amount	(148)	-
December 31	$ 46,402	$ 31,033

6. The valuation process for classifying the fair value to the third level of The Group 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 that 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	$ 46,402	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 Group 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

(1) General information

The management team of The Company has identified the reportable segments according to the information used in making decision by the board of director.
The board of director of The Group operates and evaluates the segments performance in view

of the regional diversity.

(2) Evaluation of department information

The Group measures the segments according to the revenue and pre-tax profit/ loss as well as evaluates the performance of the segments on that basis.

(3) Segment information

The information provided for the major operation decision maker for the reportable segments is as follows:

2019	Taiwan	China	Adjust and eliminate	Total
External revenue	$ 5,433,956	$ 2,535,744	$ -	$ 7,969,700
Inter-segment income	2,038,948	-	(2,038,948)	-
Revenue of the reportable segments.	$ 7,472,904	$ 2,535,744	($2,038,948)	$ 7,969,700
Pre-tax net income of the segments before being adjusted	$ 365,785	$ 15,259	$ 2,413	$ 383,457
Investment profit recognized according to the equity method	104,919	(6,404)	(36,418)	62,097
Pre-tax net income of the reportable segments	$ 470,704	$ 8,855	($ 34,005)	$ 445,554
Asset of the reportable segments.	$ 9,695,371	$ 1,882,534		$11,577,905
Profits or losses of the segments include:				
Depreciation and amortization	$ 197,142	$ 60,360		$ 257,502

2018	Taiwan	China	Adjust and eliminate	Total
External revenue	$ 5,049,270	$2,530,966	$ -	$ 7,580,236
Inter-segment income	1,753,886	-	(1,753,886)	-
Revenue of the reportable segments.	$ 6,803,156	$2,530,966	($1,753,886)	$ 7,580,236
Pre-tax net income of the segments before being adjusted	$ 312,550	$ 42,855	$ 280	$ 355,685
Investment profit recognized according to the equity method	141,298	-	(46,495)	94,803
Pre-tax net income of the reportable segments	$ 453,848	$ 42,855	($ 46,215)	$ 450,488
Asset of the reportable segments.	$ 8,764,465	$2,001,837		$10,766,302
Profits or losses of the segments include:				
Depreciation and amortization	$ 189,591	$ 66,296		$ 255,887

2019 departmental impacts from adopting IFRS 16 “Lease” as follows:

	Taiwan	China
Increase in depreciation expenses	$ 10,690	$ 458
Increase in segment asset	$ 25,146	$ -
Increase in segment liability	$ 25,146	$ -

(4) The adjusted information of the profits or losses of the segments

The pre-tax profit/ loss of the reportable segments is the same as that of the business segments, therefore, no adjustment has to be made.

(5) Information about the product sector and service sector

The revenue of the external customers mainly comes from the manufacture and sales of the medicine products and health products. The detail of the revenue balance is as follows:

	2019	2018
Manufacture and sales of the medicine and health products.	$ 7,900,865	$ 7,548,985
Others	68,835	31,251
	$ 7,969,700	$ 7,580,236

(6) Information by areas

The reportable segments of The Group are based on different regions. The revenue information of different regions is the same as 14(3)- the revenue information of the segments

(7) Information about important customers

The business revenue of each customer in 2019 and 2018 doesn’t reach 10% of the amount on the balance sheet, therefore, not applicable.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
The Loaning of Funds
January 1 to December 31, 2019

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. and subsidiaries
Endorsements and guarantees made for others
January 1 to December 31, 2019

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

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. and subsidiaries
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)

					At ending				
Holding company	Types of negotiable securities	Names of negotiable securities (Note 1)	Relationship with the securities issuer	Account titles in book	Quantity	Book value	Ratio of Shareholding	Fair value	Remarks
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. and subsidiaries
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. and subsidiaries
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: Amount	Overdue Receivables from related parties: Process	Receivables amount collected from related parties subsequently	Amount of provision for bad debts	Remarks
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. and subsidiaries

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)

				Transactions			
No. (Note 1)	Trader’s name	Counterparty	Affiliation to trader (Note 2)	Title	Amount	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 3)
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. and subsidiaries
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)

				Sum of initial investment		Ending shareholding					
Investor	Name of investee	Location	Principal business	Current period-end	The end of last year	Quantity	Ratio	Book value	Current period profit / loss of the investee	Recognized investment Income	Remarks
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. and subsidiaries
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.