

Stock Code: 1701



CHINA CHEMICAL & PHARMACEUTICAL CO., LTD.

2017 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

May 26, 2017

<http://mops.twse.com.tw>

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

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China Chemical & Pharmaceutical Company, Limited - Meeting Procedures for the 2017 Annual Shareholders' Meeting

Time: 9:00 a.m., Friday, May 26, 2017

Location: 4F, No. 2, Xuzhou Road, Taipei City (Office 401 of the National Taiwan University Hospital International Convention Center)

1. Report the total shares held by the attending shareholders
2. Announce the start of the meeting
3. Chairperson's Remarks
4. Reports:
 - (1) 2016 Business Report of the Company.
 - (2) Report by audit committee on the review of 2016 Final Statement.
 - (3) Distribution of the directors' remuneration and employees' compensation in 2016.
 - (4) Endorsements and guarantees of the Company up to December 31 2016.
 - (5) Other reports.
5. Matters for ratifications:
 - (1) 2016 Business Report and Final Statement of the Company.
 - (2) 2016 surplus distribution.
6. Matters for discussion:
 - (1) Amendments to a number of articles of the Procedure for the Acquisition and Disposal of Assets of the Company.
 - (2) Amendments to a number of articles of the Endorsement and Guarantee Operations Procedure of the Company.
 - (3) Amendments to a number of articles of the Provision of Financial Loans to Other Parties.
7. Questions and Motions:
8. Adjournment

Reports

1. For the 2016 Business Report of the Company, please refer to page 26 to 38 of Annex I of this manual.
2. Report by the audit committee on the review of the final statement of 2016:

China Chemical & Pharmaceutical Co., Ltd.

Review report of the audit committee

This review report was generated after complete review of the Company's business report, financial statements (including individual and consolidated financial statements), and surplus distribution proposal for 2016 submitted by the Board of Directors. The financial statements (including individual and consolidated financial statements) were completely audited by CPAs Chun-yao Lin and Shu-chiung Chang of PwC Taiwan. After reviewing the aforementioned business report, financial statements (including individual and consolidated financial statements), and surplus distribution proposal, the audit committee believes the documents to be free from misstatement and errors. Therefore, a review report, as required by the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, has been issued for further review and approval.

Sincerely,

2017 Annual Shareholders' Meeting of the China Chemical & Pharmaceutical Co., Ltd.

Chairperson of the audit committee: Min-li Pei



March 8, 2017

3. Report on the distribution of directors' remuneration and employees' compensation of the Company for 2016:

Description: (1) A proposal on distributing NT\$21,750,000 toward employees' compensation and NT\$3,300,000 for the directors' remuneration in 2016, all sums given wholly in cash, has been passed by a resolution of the Company's Board of Directors meeting on March 8, 2017.

(2) The aforementioned resolved sums and the amount of money in the recognized expenses of 2016 are free from discrepancies.

4. Endorsements and guarantees of the Company up to December 31, 2016.

China Chemical & Pharmaceutical Company
Detailed statement of endorsements and guarantees on December 31, 2016

Unit: Thousand NT\$

Target of the endorsement / guarantee	Guaranteed item	Guaranteed sum
TAIRUNG ENTERPRISE CO., LTD.	Financial institution financing endorsement	30,000
HU YU CO., LTD.	Financial institution financing endorsement	350,000
Total		380,000

Notes:

1. The CPA-approved financial statement of 2016 of the Company indicates a net worth of NT\$5,452,390,000.
2. Total liabilities of endorsements and guarantees given to other companies are a sum of NT\$2,726,196,000.
3. The maximum limit of any endorsement or guarantee given to a single entity is NT\$1,635,718,000.

5. Other reports.

Description: (1) Handling of shareholders' proposals according to the provisions of Article 172-1 of the Company Act.

(2) No shareholder has submitted any proposal in this annual shareholders' meeting.

Ratifications

1. Case: Approval of the 2016 Business Report and Final Statement of the Company.

Description: (1) The Company's Business Report and 2016 Financial Statement and

consolidated financial statement have been approved through a resolution of the Company's Board of Directors meeting on March 8, 2017. The approved documents were then submitted to the audit committee. The audit committee, upon completion of the review, generated an audit committee's review report.

- (2) For the 2016 Business Report, CPA review and approval report, financial statement, and consolidated financial statement, please refer to pages 39 to 62 of Annex II and Annex III

Resolution:

Raised by the Board of Directors

2. Case: Approval of the 2016 surplus distribution

Description: (1) Please approve the Company's 2016 surplus distribution (per the disposition of net earnings provided in page 63 of Annex IV).

- (2) A proposal was made to provide a cash dividend of NT\$0.6 per share. Once this proposal is passed by resolution in an annual shareholders' meeting, the authorized Board of Directors shall stipulate an ex-dividend date to distribute the cash dividend.

Resolution:

Raised by the Board of Directors

Issues Discussed

1. Case: Discussing amendments to a number of articles of the Procedure for the Acquisition and Disposal of Assets of the Company.

Description: Implemented according to the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Table of revised articles of the Procedure for the Acquisition and Disposal of Assets of China Chemical & Pharmaceutical Co., Ltd.

Revised articles	Original articles	Descriptions
<p>Article 6: Evaluation and standard operations procedure for the acquisition or disposal of assets</p> <p>1. Acquisition or disposal of securities</p> <p>(1) For securities acquired or disposed at a place of business of a securities firm or an over-the-counter (OTC) market, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, basis of price references, <u>and reasonable evaluation</u> to a responsible organization for final judgment.</p> <p>(2) For securities acquired or disposed in a place other than OTC markets or places of business of securities firms, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, counterparty of the transaction, price of transfer, terms of payment and collection, basis of price references, <u>and reasonable evaluation</u> to a responsible organization for final judgment.</p> <p>2. ...</p> <p>3. ...</p>	<p>Article 6: Evaluation and standard operations procedure for the acquisition or disposal of assets</p> <p>1. Acquisition or disposal of securities</p> <p>(1) For securities acquired or disposed at a place of business of a securities firm or an OTC market, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, and basis of price references to a responsible organization for final judgment.</p> <p>(2) For securities acquired or disposed in a place other than OTC markets or places of business of securities firms, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, counterparty of the transaction, price of transfer, terms of payment and collection, and basis of price references to a responsible organization for final judgment.</p> <p>2. ...</p> <p>3. ...</p>	<p>Regarded as a textual revision.</p>
<p>Article 7: Procedure for the resolution of transaction terms</p> <p>1. Pricing method and reference basis for the acquisition or disposal of assets</p> <p>(1) ...</p> <p>2. The authorized organization shall make the final judgment on the acquisition or disposal of assets:</p>	<p>Article 7: Procedure for the resolution of transaction terms</p> <p>1. Pricing method and reference basis for the acquisition or disposal of assets</p> <p>(1) ...</p> <p>2. The authorized organization shall make the final judgment on the acquisition or disposal of assets:</p>	<p>Authorization for approval and decision-making has been revised in response to the establishment of the audit committee by the Company and by referring to the</p>

<p>(1) Acquisition or disposal of securities:</p> <p>1. An acquisition or disposal of a long-term securities investment where the value of a single transaction or daily quantity is equal or less than NT\$30 million shall be approved by the Chairperson. The said value is greater than NT\$30 million, and the said acquisition or disposal must be reported to an <u>audit committee, gain consent from at least half of the total members of the audit committee, and then submitted</u> to the Board of Directors meeting for final approval before it is executed.</p> <p>2. An acquisition or disposal of short-term securities of stocks, government bonds, corporate bonds, financial bonds, securities of outstanding overseas bonds, depository receipts, call (put) warrants, beneficiary securities, asset-backed securities, or other short-term idle funds where the value of a single transaction or daily quantity is equal or less than NT\$30 million shall be approved by the Chairperson.; Where the said value is greater than NT\$30 million, the said acquisition or disposal must also be reported to an <u>audit committee and gain consent from at least half of the total members of the audit committee, and then submitted</u> to a Board of Directors meeting for final approval before it is carried out.</p> <p>(2) Acquisition or disposal of real property and equipment:</p> <p>1. An acquisition or disposal of a real property of value equal or less than NT\$50 million shall be submitted to and approved by the Chairperson. Where the said value is greater than NT\$50 million, the said acquisition or disposal must also be reported to an <u>audit committee and gain consent from at least half of the total membership of the audit committee, and then submitted</u> to the Board of Directors meeting for final approval</p>	<p>(1) Acquisition or disposal of securities:</p> <p>1. An acquisition or disposal of a long-term securities investment where the value of a single transaction or daily quantity is less than NT\$30 million may be approved by the Chairperson, while generating an analysis report of the unrealized profits or loss of the long-term securities, where the said value exceeds NT\$30 million, the said acquisition or disposal must be reported in the Board of Directors meeting for final approval before it is executed.</p> <p>2. An acquisition or disposal of short-term securities of stocks, government bonds, corporate bonds, financial bonds, securities of outstanding overseas bonds, depository receipts, call (put) warrants, beneficiary securities, asset-backed securities, and other short-term idle funds, where the value of a single transaction or daily quantity is less than NT\$30 million shall be approved by the Chairperson, while generating an analysis report of the unrealized profits or loss of the short-term securities. Where the said value exceeds NT\$30 million, the said acquisition or disposal must be reported in a Board of Directors meeting for final approval before it is carried out.</p> <p>(2) Acquisition or disposal of real property and equipment:</p> <p>1. An acquisition or disposal of a real property of value equal or less than NT\$50 million shall be submitted to and approved by the Chairperson. Where the said value is greater than NT\$50 million, the said acquisition or disposal must be reported in a Board of Directors meeting and approved therein before it may be carried out.</p> <p>2. An acquisition or disposal of equipment with a value of less than NT\$30 million shall be submitted to and approved by</p>	<p>provisions of Article 14-5 of the Securities and Exchange Act.</p>
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<p>before it is carried out.</p> <p>2. An acquisition or disposal of equipment of value less than NT\$30 million shall be submitted to and approved by the Chairperson. Where the said value is greater than NT\$30 million, the said acquisition or disposal must be reported to an <u>audit committee and gain consent from at least half of the entire membership of the audit committee, and then submitted</u> to a Board of Directors meeting for final approval before it is carried out.</p>	<p>the Chairperson; where the said value is greater than NT\$30 million, the said acquisition or disposal must be reported in a Board of Directors meeting for final approval before it is carried out.</p>	
<p>Article 8: An acquisition or disposal of an asset by the Company shall refer to the type of the said asset and commission experts to generate reports in compliance with the following regulations:</p> <p>1. For an acquisition or disposal of real property or equipment by the Company, with the exception of transactions with <u>government institutions</u>, engaging others to build on land owned by the Company, engaging others to build on land rented by the Company, or the acquisition of business-use equipment, where the transaction amount is greater than 20 percent of the Company's paid-in capital or NT\$300 million, an appraisal report from a professional appraiser shall be obtained on the day prior to the date of occurrence of the event and complied with the following regulations:</p> <p>(SKIPPED)</p> <p>2. For an acquisition or disposal of securities by the Company, the latest financial statement of the target company audited and attested, or reviewed, by a CPA shall be acquired prior to the date of occurrence of the event as a reference to evaluate the transaction price. Where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, a CPA shall be contacted to provide opinions regarding the reasonableness of the transaction price prior to the date of</p>	<p>Article 8: An acquisition or disposal of an asset by the Company shall refer to the type of the said asset and commission experts to generate reports in compliance with the following regulations:</p> <p>1. For an acquisition or disposal of a real property or equipment by the Company, with the exception of transactions with government, outsourced construction of land owned by the Company, engaging others to build on land rented by the Company, or the acquisition of business-use equipment, where the transaction amount is greater than 20 percent of the Company's paid-in capital or NT\$300 million, an appraisal report from a professional appraiser shall be obtained on the day prior to the date of occurrence of the event and comply with the following regulations:</p> <p>(SKIPPED)</p> <p>2. For an acquisition or disposal of securities by the Company, the latest financial statement of the target company audited and attested, or reviewed, by a CPA shall be acquired prior to the date of occurrence of the event shall be acquired as a reference to evaluate the transaction price; where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, a CPA shall be contacted to provide opinions regarding</p>	<p>1. Amended the term "government institutions" in accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 106001296 on amendments to a number of articles of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p> <p>2. Referenced the Jin-Guan-Zheng-Fa-Zi Letter No. 1050044504 Interpretations of the Proviso to Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies published by the Financial Supervisory Commission (FSC), and amended the regulations for the exemption of acquiring financial statements and engaging a CPA to</p>

<p>occurrence of the event. Where a professional report is required by the CPA, refer to the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and act accordingly.</p> <p>Where the marketable securities have a publicly quoted price on an active market or fulfills the following regulations and conditions, the act of acquisition or disposal may be exempt from the requirement to acquire the financial statement or contact a CPA to express an opinion.</p> <p>(1) Acquiring security cash contribution in an incorporation by promotion or by public offering in accordance with the Company Act, <u>and where the rights represented by the acquired securities are commensurate with the proportion of capital contributed.</u></p> <p>(2) Participating in a subscription of securities of a target company where the said securities are issued at face value to implement cash capital increase in accordance with relevant laws.</p> <p>(3) Participating in subscription of investment in other enterprises of securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase.</p> <p>(4) Trading of securities of listed companies or emerging stocks at Taiwan Securities Exchange or places of business of securities firms.</p> <p>(5) Government bonds or bonds under repurchase or resale agreements.</p> <p>(6) <u>Onshore or offshore publicly offered</u> funds.</p> <p>(7) Stocks of TWSE or TPEx listed companies acquired or disposed of in accordance with the TWSE or TPEx regulations governing the purchase or auctions of securities of listed companies.</p>	<p>the reasonableness of the transaction price prior to the date of occurrence of the event; where a professional report is required by the CPA, refer to the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and act accordingly. Where the marketable securities have a publicly quoted price on an active market or fulfills the following regulations and conditions, the act of acquisition or disposal may be exempt from the requirement to acquire the financial statement or contact a CPA to express an opinion.</p> <p>(1) Securities acquired through cash contribution in an incorporation by promotion or cash contribution of a company.</p> <p>(2) Participating in a subscription of securities of a target company where the said securities are issued at face value to implement cash capital increase in accordance with relevant laws.</p> <p>(3) Participating in a subscription of investment in other enterprises of securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase.</p> <p>(4) Trading of securities of listed companies or emerging stocks at the Taiwan Securities Exchange or places of business of securities firms.</p> <p>(5) Government bonds or bonds under repurchase or resale agreements.</p> <p>(6) Overseas and domestic funds.</p> <p>(7) Stocks of TWSE or TPEx listed companies acquired or disposed of in accordance with the TWSE or TPEx regulations governing the purchase or auctions of securities of listed companies.</p> <p>(8) Participating in stock subscriptions of a public company implementing cash capital increase, provided that</p>	<p>provide an opinion for the acquisition or disposal of securities.</p>
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<p>(8) Participating in stock subscriptions of a public company implementing cash capital increase <u>or domestic subscription to corporate bonds (including financial bonds)</u>, provided that the securities acquired are not part of the privately placed securities.</p> <p>(9) Subscription to a <u>privately placed domestic fund</u> before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or <u>subscription or repurchase of a privately placed domestic fund</u>, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>3. (Skipped)</p> <p>4. For an acquisition or disposal of memberships or intangible assets by the Company where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, with the exception of transactions with government institutions, a CPA shall be contacted to provide opinions regarding the practicality of the transaction price prior to the date of occurrence of the event. The CPA shall act according to the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</p>	<p>the securities acquired are not part of the privately placed securities.</p> <p>(9) Subscription to a fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and regulations provided in the Jin-Guan-Zheng-Tou-Zi Public Order No. 0990042831 of September 3, 2010.</p> <p>(10) Subscription or repurchase of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>3. (Skipped)</p> <p>4. For an acquisition or disposal of memberships or intangible assets by the Company where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, with the exception of transactions with government, a CPA shall be contacted to provide opinions regarding the practicality of the transaction price prior to the date of occurrence of the event. The CPA shall act according to the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</p>	
<p>Article 9: Management of stakeholder transactions (Paragraph 1 has been skipped)</p> <p>2. Where the Company acquires or disposes of real property with a related party, or acquires or disposes of assets other than real property with a related party, and the transaction amount is</p>	<p>Article 9: Related Party Transactions</p> <p>1. ...</p> <p>2. Where the Company acquires or disposes of real property with a related party, or acquires or disposes of assets other than real property with a related party, and the transaction amount is equal or more than</p>	<p>Authorization for approval and decision making has been revised in response to the establishment of the audit committee by the Company and by</p>

<p>equal or more than 20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million, with the exception of trading of government bonds or bonds under repurchase or resale agreements, subscription or <u>repurchase</u> of money market funds <u>issued by a domestic security investment trust enterprise</u>, the Company must <u>submit</u> the following information to <u>an audit committee and gain consent from at least half of the total members of the audit committee</u>, and then report the said acquisition or disposal in a Board of Directors meeting to gain approval thereof before the Company proceeds with the signing of a transaction contract and make the payment:</p> <p>(1) ... (2) ... (3) ... (4) ... (5) ... (6) ... (7) ...</p> <p>Transaction amount calculations in the preceding paragraph shall be implemented in accordance with the regulations of Article 13, paragraph 2. The term "within the preceding year" shall start with the date of occurrence of the current transaction and retroactively calculated to the preceding year. Items duly reported to <u>and gaining consent from the audit committee</u>, and approval by the Board of Directors in accordance with the regulations of this procedure need not be counted toward the transaction amount.</p> <p>For the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Board of Directors may, pursuant to Article 7, paragraph 2, authorize the Chairperson to make a decision when the transaction is</p>	<p>20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million, with the exception of trading of government bonds or bonds under repurchase or resale agreements, subscription or redemption of money market funds, the Company must submit the following information to a Board of Directors meeting and acquire approval therein and recognized by the supervisors before the Company proceeds with the signing of a transaction contract and make the payment:</p> <p>(1) ... (2) ... (3) ... (4) ... (5) ... (6) ... (7) ...</p> <p>Transaction amount calculations in the preceding paragraph shall be implemented in accordance with the regulations of Article 13, paragraph 2. The term "within the preceding year" shall start with the date of occurrence of the current transaction and retroactively calculated to the preceding year. Items duly reported to and approval by the Board of Directors and recognized by the supervisors in accordance with the regulations of this procedure need not be counted toward the transaction amount.</p> <p>For the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Board of Directors may, pursuant to Article 7, paragraph 2, authorize the Chairperson to make a decision when the transaction is within a certain amount and have the decision subsequently reported in the next Board of Directors meeting for ratification.</p> <p>Where the Company has established independent directors pursuant to the Securities and Exchange Act, where issues have been reported to the Board of Directors meeting for deliberation in</p>	<p>referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p> <p>Amended definitions for domestic money market funds in accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 106001296 on amendments to a number of articles of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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<p>within a certain amount and have the decision subsequently reported in the most recent <u>audit committee meeting, have the decision ratified and gain consent from at least half of the entire membership of the audit committee, and then report the decision in the next Board of Directors meeting for ratification.</u></p> <p>Where issues have been reported to the Board of Directors meeting for deliberation in pursuant to regulations of paragraph 2 of this Article, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations on any matter, it must be recorded in the minutes of the Board of Directors meeting.</p> <p>3. ...</p> <p>4. ...</p> <p>5. ...</p> <p>6. ...</p> <p>7. When acquiring real property from a related party, where an appraisal has been carried pursuant to paragraphs 3, 4, 5, and 6 of this Article and where the results of said appraisal are lower than the transaction price, the following shall be implemented:</p> <p>(1) ...</p> <p>(2) <u>The independent director of the audit committee</u> shall act according to Article 218 of the Company Act.</p> <p>(3) ...</p>	<p>pursuant to regulations of paragraph 2 of this Article, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations on any matter, it must be recorded in the minutes of the Board of Directors meeting.</p> <p>Where the Company has established an audit committee in accordance with the Securities and Exchange Act, items that shall be recognized by supervisors pursuant to the regulations of paragraph 2 of this Article shall first gain consent from at least half of the entire membership of the audit committee and submitted to the Board of Directors meeting for resolution, with regulations of paragraphs 7 and 8 of Article 14 applying mutatis mutandis.</p> <p>3. ...</p> <p>4. ...</p> <p>5. ...</p> <p>6. ...</p> <p>7. When acquiring real property from a related party, where an appraisal has been carried pursuant to paragraphs 3, 4, 5, and 6 of this Article and where the results of said appraisal are lower than the transaction price, the following shall be implemented:</p> <p>(1) ...</p> <p>(2) Supervisors shall act according to Article 218 of the Company Act.</p> <p>(3) ...</p>	
<p>Article 10: Acquisition or disposal of memberships or intangible assets or claims of financial institutions</p> <p>1. An acquisition or disposal of a memberships or intangible assets with a value of less than NT\$15 million shall be submitted to and approved by the Chairperson; where the said value is greater than NT\$15 million, the said acquisition or disposal must also be reported to an <u>audit committee and gain consent from at least half of the total</u></p>	<p>Article 10: Acquisition or disposal of memberships or intangible assets or claims of financial institutions</p> <p>1. An acquisition or disposal of a memberships or intangible assets with a value of less than NT\$15 million shall be submitted to and approved by the Chairperson; where the said value is greater than NT\$15 million, the said acquisition or disposal must also be reported in a</p>	<p>Authorization for approval and decision making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

<p><u>members of the audit committee, and then raised</u> in a Board of Directors meeting and approved therein before it may be carried out.</p> <p>2. By principle, the Company does not engage in the acquisition or disposal of claims of financial institutions. Where the Company intends to pursue transactions of claims of financial institutions in the future, the transaction shall be reported in an <u>audit committee and gain consent from at least half of the total members of the audit committee and raised</u> in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.</p>	<p>Board of Directors meeting and approved therein before it may be carried out.</p> <p>2. By principle, the Company does not engage in the acquisition or disposal of claims of financial institutions. Where the Company intends to pursue transactions of claims of financial institutions in the future, the transaction shall be reported in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.</p>	
<p>Article 11: Engaging in derivatives trading:</p> <p>2. By principle, the Company does not engage in the trading of derivatives. Where the Company intends to conduct trading of derivatives in the future, the transaction shall be reported in an <u>audit committee and gain consent from at least half of the total members of the audit committee and raised</u> in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.</p>	<p>Article 11: Engaging in derivatives trading:</p> <p>2. By principle, the Company does not engage in the trading of derivatives. Where the Company intends to conduct trading of derivatives in the future, the transaction shall be reported in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.</p>	<p>Authorization for approval and decision-making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>
<p>Article 12: Mergers and consolidations, demergers, acquisitions, and assignment of shares</p> <p>1. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and <u>report the matter to an audit committee and gain consent from</u></p>	<p>Article 12: Mergers and consolidations, demergers, acquisitions, and assignment of shares</p> <p>1. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and <u>report the matter to an audit committee and gain consent</u></p>	<p>Added the condition to be exempt from the need to acquire a reasonableness opinion from an expert in accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 106001296 on amendments to a number of articles of the Regulations Governing the</p>

<p><u>at least half of the total members of the audit committee</u>, and submit it to the board of directors for deliberation and passage.<u>However, merger with a subsidiary where a hundred percent of the issued shares or total authorized capital thereof is directly or indirectly held by the Company, or a merger between subsidiaries where a hundred percent of the issued shares or total authorized capital thereof is directly or indirectly held by the Company, the merger may be exempted from the aforementioned requirement for a reasonableness opinion from an expert.</u></p> <p>(SKIPPED)</p>	<p><u>from at least half of the total members of the audit committee</u>, and submit it to the board of directors for deliberation and passage.</p> <p>(SKIPPED)</p>	<p>Acquisition and Disposal of Assets by Public Companies.</p>
<p>Article 13: Public disclosure of information:</p> <p>1. Where the following circumstances apply for an acquisition or disposal of assets, the Company shall, by referring to the nature of the matter and complying with the specified format, publicly disclose the relevant information on an information disclosure website specified by the FSC within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property with a related party, and the transaction amount is equal or more than 20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million. Provided, this requirement shall not apply to trading of government bonds or bonds under repurchase or resale agreements, or subscription or <u>repurchase</u> of money market funds <u>issued by a domestic security investment trust enterprise</u>.</p>	<p>Article 13: Public disclosure of information:</p> <p>1. Where the following circumstances apply for an acquisition or disposal of assets, the Company shall, by referring to the nature of the matter and complying with the specified format, publicly disclose the relevant information on an information disclosure website specified by the FSC within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property with a related party, and the transaction amount is equal or more than 20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million. Provided, this requirement shall not apply to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(2) (Skipped)</p>	<p>Amended definitions for domestic money market funds and regulated related to the circumstances where public disclosure is required in accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 106001296 on amendments to a number of articles of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

<p>(2) (Skipped)</p> <p>(3) (Skipped)</p> <p>(4) Where the type of asset acquired or disposed is business-use equipment, and the trading counterparty is not a related party, and the transaction volume is <u>also</u> equal or more than NT\$500 million.</p> <p>(5) Where real property is acquired by engaging others to build on land owned by the Company, engaging others to build on land rented by the Company, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sales, and where the transaction amount is equal or more than NT\$500 million (the basis of calculation shall be the investment that the company expects to invest).</p> <p>(6) Any transaction of assets, disposition of claims of financial institutions, or Mainland China area investments other than any of those referred to in the <u>five</u> preceding subparagraphs, and where the amount of the transaction is equal or more than 20 percent of the Company's paid-in capital or NT\$300 million. This restriction, however, does not apply for the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Trading of bonds under repurchase or resale agreements, or subscription or <u>repurchase</u> of money market funds <u>issued by a domestic securities investment trust enterprise</u>. <p>2. (Skipped)</p> <p>3. (Skipped)</p> <p>4. Where corrections must be made for errors or omissions in items to be disclosed according to the relevant regulations, all items shall be again publicly disclosed in their entirety</p>	<p>(3) (Skipped)</p> <p>(4) Any transaction of assets, disposition of claims of financial institutions, or Mainland China area investments other than any of those referred to in the three preceding subparagraphs, and where the amount of the transaction is equal or more than 20 percent of the Company's paid-in capital or NT\$300 million. This restriction, however, does not apply for the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds. 3. Where the type of asset acquired or disposed is business-use equipment and the trading counterparty is not a related party, and the transaction volume is not more than NT\$500 million. 4. Where real property is acquired by engaging others to build on land owned by the Company, engaging others to build on land rented by the Company, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sales, and where the transaction amount is less than NT\$500 million (the basis of calculation shall be the investment that the company expects to invest). <p>2. (Skipped)</p> <p>3. (Skipped)</p> <p>4. Where corrections must be made for errors or omissions in items to be disclosed according to the relevant regulations, all items shall be again publicly disclosed in their entirety.</p>	
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<p><u>within 2 days commencing immediately from the date of knowledge.</u></p>		
<p>Article 14: Additional provisions</p> <p>1. ...</p> <p>2. ...</p> <p>3. ...</p> <p>4. ...</p> <p>5. <u>Stipulation or revision of this procedure shall be agreed by at least half of the total members of the audit committee and submitted to the Board of Directors meeting for deliberation and passage, and further submitted to the Board of Shareholders for approval therein before proceeding.</u> If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall <u>submit the director's dissenting opinion to every independent director in the audit committee.</u> Where issues have been reported to the Board of Directors meeting for deliberation, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>6. Where any matter in any of the preceding paragraphs fails to be approved by at least half of the total members of the audit committee, the matter may proceed with the approval of at least two-thirds of the entire membership of the Board of Directors. The resolution of the audit committee shall be recorded in detail within the Board of Directors meeting minutes. <u>Article 7, paragraph 2, Article 9, paragraphs 2 and 4, Article 10, Article 11, and Article 12, paragraph 1 of this procedure shall apply mutatis mutandis.</u></p> <p>7. "Entire membership of the audit committee" as used in paragraph 6 and "entire membership of the Board of Directors" as used in the preceding paragraph shall be calculated as the number of members actually in office.</p>	<p>Article 14: Additional provisions</p> <p>1. ...</p> <p>2. ...</p> <p>3. ...</p> <p>4. ...</p> <p>5. This Procedure shall enter into force upon approval by the Board of Directors, and shall be issued to each supervisor and submitted to the Board of Shareholders for consent. The same shall apply for revisions of this procedure. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. Where the Company has established independent directors pursuant to the Securities and Exchange Act, where issues have been reported to the Board of Directors meeting for deliberation, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>6. Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the entire membership of the audit committee and submitted to the Board of Directors for resolution.</p> <p>7. Where any matter in any of the preceding paragraphs fail to be approved by at least half of the entire membership of the audit committee, the matter may proceed with the approval of at least two-thirds of the entire membership of the Board of Directors. The resolution of the audit committee shall be recorded in detail within the Board of Directors meeting minutes.</p> <p>8. "Entire membership of the audit committee" as used in paragraph 6 and "entire membership of the Board of Directors" as used in the preceding</p>	<p>Authorization for approval and decision making has been clarified and revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

	paragraph shall be calculated as the number of members actually in office.	
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Resolution:

Raised by the Board of Directors

2. Case: Deliberation for the amendments to a number of articles of the Endorsement and Guarantee Operations Procedure of the Company.

Description: Implemented according to the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Table of revisions and comparison for the Endorsement and Guarantee Operations Procedure of China Chemical & Pharmaceutical Co., Ltd.

Revised articles	Original articles	Descriptions
<p>V. Hierarchy of decision-making authority and delegation thereof.</p> <p>1. Where the Company implements endorsements and guarantees, the matter shall be provided with signed approval according to the provisions of point VI herein, and shall be <u>submitted to the audit committee and approved by at least half of the total members of the audit committee, and then submitted</u> to the Board of Directors for resolution and approval before the matter may proceed. However, to meet time limit requirements, the Board of Directors may delegate the Chairperson to first decide upon the matter, provided that the matter complies with the provisions of point IV on the 50% limit of aggregate endorsements and guarantees to external</p>	<p>V. Hierarchy of decision-making authority and delegation thereof</p> <p>1. Where the Company implements endorsements and guarantees, the matter shall be provided with signed approval according to the provisions of point VI herein, and shall be resolved and approved by the Board of Directors before the matter may proceed. However, to meet time limit requirements, the Board of Directors may delegate the Chairperson to first decide upon the matter, provided that the matter complies with the provisions of point IV on the 50% limit of aggregate endorsements and guarantees to external parties and 30% limit of endorsements and guarantees for any single entity. The decision shall</p>	<p>Authorization for approval and decision-making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

<p>parties and 30% limit of endorsements and guarantees for any single entity. The decision shall subsequently be submitted to the next <u>audit committee meeting and be ratified by at least half of the entire membership of the audit committee, and then submitted to the next</u> Board of Directors meeting for ratification.</p> <p>2. Where endorsements and guarantees provided by the Company must exceed the limits of endorsements and guarantees stipulated in point IV for business requirements, then the matter must be first <u>submitted to the audit committee and approved by at least half of the total members of the audit committee, and then submitted</u> to the Board of Directors for resolution and at least half of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsements and guarantees before the matter may proceed. Further, this Procedure shall be revised and the matter shall be submitted to a shareholders' meeting for ratification. Where the Board of Shareholders dissents, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>3. Before making any endorsement and guarantee pursuant to point III paragraph 2 to a subsidiary in which the Company holds, directly and indirectly, 90% or more of the voting shares, the matter shall be <u>submitted to an audit committee and approved by at least half of the entire membership of the audit committee, and then</u> submitted to the Board of Directors of the Company for resolution before the</p>	<p>subsequently be submitted to the next Board of Directors meeting for ratification and submitted to the Board of Shareholders for reference.</p> <p>2. Where endorsements and guarantees provided by the Company must exceed the limits of endorsements and guarantees stipulated in point IV for business requirements, then the matter must be first submitted to the Board of Directors for resolution and at least half of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsements and guarantees before the matter may proceed. Further, this Procedure shall be revised and the matter shall be submitted to the Board of Shareholders for ratification. Where the Board of Shareholders dissents, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>3. Before making any endorsement and guarantee pursuant to point III, paragraph 2 to a subsidiary in which the Company holds, directly and indirectly, 90% or more of the voting shares, the matter shall be submitted to the Board of Directors of the Company for resolution before the matter may proceed. Provided, this restriction shall not apply to endorsements and guarantees made between companies where the Company holds, directly and indirectly, 100% of the voting shares.</p> <p>Where the Company has established the position of independent director, when the Company makes endorsements and</p>	
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<p>matter may proceed. Provided, this restriction shall not apply to endorsements and guarantees made between companies where the Company holds, directly and indirectly, 100% of the voting shares.</p> <p>Where the Company provides endorsements and guarantees to other parties, full considerations must be given to each independent director's opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p>	<p>guarantees for others, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p>	
<p>VI. Procedure for making endorsements and guarantees</p> <p>1. When making an endorsement or guarantee, the financial affairs unit shall, on the basis of an application of an entity for which the endorsement or guarantee is made, review every item to ensure that the qualifications of the entity and the amount of the endorsement or guarantee are compliant to the rules of this procedure, and shall analyze the operations, finances, and credit status of the target of the endorsement or guarantee to assess the risk of the endorsement or guarantee, retain relevant records, and, where necessary, acquire a collateral. Once descriptions of the details, causes, and results of risk assessments of an endorsement or guarantee are signed and submitted to the Chairperson for approval, the matter shall also be <u>submitted to an audit committee and approved by at least half of the total members of the audit committee, and then submitted to the</u> Board of Directors for deliberation and passage before proceeding. Where the endorsement or guarantee is within an authorized limit, the Chairperson shall, on the basis of the</p>	<p>VI. Procedure for making endorsements and guarantees</p> <p>1. When making an endorsement or guarantee, the financial affairs unit shall, on the basis of an application of an entity for which the endorsement or guarantee is made, review every item to ensure that the qualifications of the entity and the amount of the endorsement or guarantee are compliant to the rules of this Procedure, and shall analyze the operations, finances, and credit status of the target of the endorsement or guarantee to assess the risk of the endorsement or guarantee, retain relevant records, and, where necessary, acquire a collateral. Once descriptions of the details, causes, and results of risk assessments of an endorsement or guarantee are signed and submitted to the Chairperson for approval, the matter shall then be submitted to the Board of Directors for deliberation and passage before proceeding. Where the endorsement or guarantee is within an authorized limit, the Chairperson shall, on the basis of the credit standing and financial condition of the entity for which the endorsement</p>	<p>Authorization for approval and decision making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

<p>credit standing and financial condition of the entity for which the endorsement or guarantee is made, make a direct decision for approval of the endorsement or guarantee. The matter shall be subsequently reported in the next <u>audit committee meeting</u> and be ratified by at <u>least half of the entire membership</u> thereof, and then submitted to the next Board of Directors meeting for ratification.</p> <p>2. ...</p> <p>3. ...</p> <p>4. Where an entity for which the endorsement or guarantee previously found to be compliant to the provisions of point III is later found to be nonconforming, or where the amount of the endorsement or guarantee exceeds the stipulated limit due to changes to the basis of the calculations thereof, or where the net worth of the entity revealed in the latest financial statement audited and attested, or reviewed, by a CPA is less than one half of the paid-in capital, the amount of endorsement or guarantee made to the entity or the portion exceeding the limit shall either be discharged upon expiration of the contractually stipulated duration or be completely discharged within a period stipulated within a plan stipulated by the financial affairs unit and approved by the Chairperson. A relevant improvement plan shall be submitted to <u>every independent director of the audit committee</u>, and the improvements shall be completed according to the planned duration. Where an endorsement or guarantee is made to a subsidiary with a net worth less than one half of the paid-in capital, and where the shares of the subsidiary has no par value or a par value other than NT\$10, the sum of the paid-in capital shall be calculated according to</p>	<p>or guarantee is made, make a direct decision for approval of the endorsement or guarantee. The matter shall be subsequently reported in the next Board of Directors meeting for ratification.</p> <p>2. ...</p> <p>3. ...</p> <p>4. Where an entity for which the endorsement or guarantee previously found to be compliant to the provisions of point III is later found to be nonconforming, or where the amount of the endorsement or guarantee exceeds the stipulated limit due to changes to the basis of the calculations thereof, or where the net worth of the entity revealed in the latest financial statement audited and attested, or reviewed, by a CPA is less than one half of the paid-in capital, the amount of endorsement or guarantee made to the entity or the portion exceeding the limit shall either be discharged upon expiration of the contractually stipulated duration or be completely discharged within a period stipulated within a plan stipulated by the financial affairs unit and approved by the Chairperson. A relevant improvement plan shall be submitted to each supervisor and the improvements shall be completed according to the planned duration. Where an endorsement or guarantee is made to a subsidiary with a net worth less than one half of the paid-in capital, and where the shares of the subsidiary has no par value or a par value other than NT\$10, the sum of the paid-in capital shall be calculated according to the provisions of the fourth subparagraph in the preceding paragraph, and shall be the result of the sum of the capital stock and capital reserve minus the distributed</p>	
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<p>the provisions of the fourth subparagraph in the preceding paragraph, and shall be the result of the sum of the capital stock and capital reserve minus the distributed premium.</p> <p>5. ...</p>	<p>premium.</p> <p>5. ...</p> <p>6. Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the improvement plan stated in paragraph 4 herein shall be submitted to the audit committee and be completed within the planned duration to improve internal controls within the Company.</p>	
<p>VII. Internal controls</p> <p>Auditors shall audit and verify the Endorsement and Guarantee Operations Procedure and its implementation on a quarterly basis, at a minimum, and generate documented records. In the event of a material violation, a written notice shall be submitted to <u>every independent director of the audit committee.</u></p> <p>2. ...</p>	<p>VII. Internal controls</p> <p>Auditors shall audit and verify the Endorsement and Guarantee Operations Procedure and its implementation on a quarterly basis, at a minimum, and generate documented records. In the event of a material violation, a written notice shall be submitted to each supervisor.</p> <p>2. ...</p>	<p>Textual revisions in response to the establishment of the audit committee by the Company.</p>
<p>X. Supplemental provisions</p> <p>1. ...</p> <p>2. ...</p> <p>3. ...</p> <p>4. The stipulation of this Operations Procedure <u>shall be approved by at least half of the total members of the audit committee, and then submitted to the Board of Directors for resolution and approval before being submitted to the Board of Shareholders for approval before enforcement.</u> Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to <u>every independent director of the audit committee,</u> and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof. Where this Operation Procedure is submitted to the Board of Directors for deliberation, full considerations must be given to each independent director's</p>	<p>X. Supplemental provisions</p> <p>1. ...</p> <p>2. ...</p> <p>3. ...</p> <p>4. Once the stipulation of this Operations Procedure is passed by a resolution of the Board of Directors, the matter shall be submitted to the Board of Shareholders for approval before enforcement. Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to each supervisor and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof.</p> <p>Where the Company has established an independent director, when submitting this Operation Procedure to the Board of Directors for deliberation in pursuant to the provisions in the preceding paragraph, full</p>	<p>Authorization for approval and decision making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

<p>opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p> <p><u>Where any matter in any of the preceding paragraphs fail to be approved by least half of the entire membership of the audit committee, the matter may proceed with the approval of at least two-thirds of the total members of the Board of Directors. The resolution of the audit committee shall be recorded in detail within the Board of Directors meeting minutes.</u></p> <p><u>Paragraphs 1, 2, and 3 of point V and paragraph 1 of point VI herein shall apply mutatis mutandis.</u></p> <p><u>“Entire membership of the audit committee” and “entire membership of the Board of Directors” used in the preceding paragraph shall be calculated as the number of members actually in office.</u></p>	<p>considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p> <p>Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the entire membership of the audit committee and submitted to the Board of Directors for resolution.</p>	
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Resolution:

Raised by the Board of Directors

3. Case: Deliberation for the amendments to a number of articles of the Operations Procedure for the Loaning of Funds to Other Parties of the Company.

Description: Implemented according to the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Table of revisions and comparison for the Operations Procedure for the Loaning of Funds to Other Parties of China Chemical & Pharmaceutical Co., Ltd.

Revised articles	Original articles	Descriptions
<p>5. Operations Procedure for the Loaning of Capital</p> <p>(1) Credit investigation...</p> <p>(2) Security...</p> <p>(3) Authorized limit</p> <p>Where the Company provides financial loans to another party, upon completion of credit investigation by an authorized organization of the Company, the matter shall be submitted to the General Manager for approval and <u>submitted to the audit committee and approved by at least half of the total members of the audit committee, and then submitted</u> to the Board of Directors for resolution and approval before the matter may proceed. The decision of the matter may not be delegated to any other party.</p> <p>Full considerations must be given to each independent director's opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p> <p>...</p>	<p>5. Operations Procedure for the Loaning of Capital</p> <p>(1) Credit investigation...</p> <p>(2) Security...</p> <p>(3) Authorized limit</p> <p>Where the Company provides financial loans to another party, upon completion of credit investigation by an authorized organization of the Company, the matter shall be submitted to the General Manager for approval and then submitted to the Board of Directors for resolution and approval before the matter may proceed. The decision of the matter may not be delegated to any other party.</p> <p>Where the Company has established the position of independent director, full considerations must be given to each independent director's opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting. ...</p>	<p>Authorization for approval and decision-making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>
<p>8. Internal controls:</p> <p>...</p> <p>...</p> <p>If, as a result of a change in circumstances, the loans and balance of the Company exceeds a limit, the Company shall adopt an improvement plan, submit the plan to <u>every independent director in the audit committee</u>, and complete the improvements within the planned duration to improve the internal controls of the Company.</p>	<p>8. Internal controls:</p> <p>...</p> <p>...</p> <p>If, as a result of a change in circumstances, the loans and balance of the Company exceeds a limit, the Company shall adopt an improvement plan, submit the plan to each supervisor, and complete the improvements within the planned duration to improve the internal controls of the Company.</p> <p>Where the Company has established an audit</p>	<p>Textual revisions in response to the establishment of the audit committee by the Company.</p>

	committee in accordance with the Securities and Exchange Act, the improvement plan stated in the preceding paragraph shall be submitted to the audit committee and be completed within the planned duration to improve internal controls within the Company.	
<p>11. The stipulation of this Operations Procedure <u>shall be approved by at least half of the total members of the audit committee, and then submitted to the Board of Directors for resolution and approval before being</u> submitted to the Board of Shareholders for approval before enforcement. Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to <u>every independent director of the audit committee</u>, and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof. Where this Operation Procedure is submitted to the Board of Directors for deliberation, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p> <p><u>Where any matter in any of the preceding paragraphs fails to be approved by least half of the total members of the audit committee, the matter may proceed with the approval of at least two-thirds of the entire membership of the Board of Directors. The resolution of the audit committee shall be recorded in detail within the Board of Directors meeting minutes. Item 5(3).</u></p>	<p>11. Once this Operations Procedure is passed by the Board of Directors, the matter shall be submitted to the Board of Shareholders for approval before enforcement. Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to each supervisor and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof.</p> <p>Where the Company has established an independent director, when submitting this Operation Procedure to the Board of Directors for deliberation in pursuant to the provisions in the preceding paragraph, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.</p> <p>Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the entire membership of the audit committee and submitted to the Board of Directors for resolution.</p>	<p>Authorization for approval and decision making has been revised in response to the establishment of the audit committee by the Company and by referring to the provisions of Article 14-5 of the Securities and Exchange Act.</p>

<p><u>herein shall apply mutatis mutandis. “Entire membership of the audit committee” and “entire membership of the Board of Directors” used in the preceding paragraph shall be calculated as the number of members actually in office.</u></p>		
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Resolution:

Raised by the Board of Directors

Annex

Business Report

1. 2016 Business Report:

(1) Implementation results of business plans of 2016

Revenue of the parent company amounted to NT\$2,936,960,000, achieving a growth of about 8.04% compared to the 2015 annual revenue of NT\$2,718,470,000. Consolidated revenue of the Company in 2016 amounted to NT\$5,781,410,000, a 2.73% growth compared to the 2015 annual consolidated revenue of NT\$5,627,640,000. Net income after taxes of this fiscal period amounted to NT\$315,890,000, which was 12.24% less compared to the NT\$359,950,000 of 2015.

(2) Comparison of financial incomes and expenditures

(1) Comparison of financial incomes and expenditures of 2016 and 2015 (parent company only)

Unit: NT\$1,000; %

Item	2016	2015	Amount of gain (loss)	% gain (loss)
Net operating revenue	2,936,959	2,718,471	218,488	8.04
Net sales margin	661,461	642,682	18,779	2.92
Gross margin	23%	24%	-1	-
Operating expense	464,359	476,826	-12,467	-2.61
Operating profit	197,102	165,856	31,246	18.83
Non-business income and expenses	158,363	249,552	-91,189	-36.54
Pre-tax gain (loss)	355,465	415,408	-59,943	-14.43
After-tax gain (loss)	313,209	353,696	-40,487	-11.45

(2) Comparison of financial incomes and expenditures of 2016 and 2015 (consolidated)

Unit: NT\$1,000; %

Item	2016	2015	Amount of gain (loss)	% gain or loss
Net operating revenue	5,781,413	5,627,644	153,769	2.73
Net sales margin	1,689,008	1,612,370	76,638	4.75
Gross margin	29.21	28.65	0.56	-
Operating expense	1,402,573	1,366,414	36,159	2.65
Operating profit	286,435	245,956	40,479	16.46
Non-business income and expenses	100,969	204,373	(103,404)	(50.60)
Pre-tax gain (loss)	387,404	450,329	(62,925)	(13.97)
After-tax gain (loss)	315,894	359,951	(44,057)	(12.24)

(3) Budget implementation status

(1) Comparison of budget implementation statuses of 2016 and 2015 (parent company only)

Unit: NT\$1,000; %

Items	Actual amount	Annual budget	Completion (%)
Operating revenue	2,936,959	2,895,000	101.45
Operating expenses	2,277,886	2,214,198	102.88
Gross business profit	661,461	680,802	97.16
Operating expense	464,359	533,067	87.11
Operating profit	197,102	147,735	133.42
Pre-tax gain (loss)	355,465	439,159	80.94

(2) Comparison of budget implementation statuses of 2016 and 2015 (consolidated)

Unit: NT\$1,000; %

Items	Actual amount	Annual budget	Completion (%)
Operating revenue	5,781,413	6,394,920	90.41
Operating expenses	4,092,405	4,244,078	96.43
Gross business profit	1,689,008	2,150,842	78.53
Operating expense	1,402,573	1,757,230	79.82
Operating profit	286,435	393,612	72.77
Pre-tax gain (loss)	387,404	531,549	72.88

(4) Analysis of annual consolidated financial income, expenditure, and profitability in 2016

1. Financial income and expenditures:

(1) Financial incomes and expenditures (parent company only)

Unit: NT\$1,000

Item	Amount
Operating revenue	2,936,959
Gross business profit	661,461
Operating profit	197,102
Interest income	4,213
Interest expenses	34,194
Pre-tax gain (loss)	355,465
After-tax gain (loss)	42,256
Earnings per share (EPA)	1.05

(2) Financial incomes and expenditures (consolidated) Unit: NT\$1,000

Item	Amount
Operating revenue	5,781,413
Gross business profit	1,689,008
Operating profit	286,435
Interest income	15,777
Interest expenses	36,038
Pre-tax gain (loss)	387,404
After-tax gain (loss)	315,894
Earnings per share (EPA)	1.05

2. Profitability analysis

(1) Profitability analysis (parent company only)

Unit: %

Item	Ratio
Return on total assets	3.87
Return on shareholders' equity	5.75
Operating profit as a proportion of paid-in capital	11.93
Earnings before tax (EBT) as a proportion of paid-in capital	6.61
Net profit	10.66
Earnings per share (EPA)	1.05
EPA - retrospective application	1.05

(2) Profitability analysis (consolidated)		Unit: %
Item	Ratio	
Return on total assets	3.48	
Return on shareholders' equity	5.75	
Operating profit as a proportion of paid-in capital	9.61	
Earnings before tax (EBT) as a proportion of paid-in capital	13.00	
Net profit	5.46	
Earnings per share (EPA)	1.05	
Earnings per share - retrospective application	1.05	

(I) Research and development status in 2016:

1. List of completed research and development results of 2016

(1) New product application for verification and registration

6 human pharmaceutical products submitted; 9 veterinary drugs submitted.

(2) New product permits received

7 permits received for human pharmaceutical products; 7 permits received for veterinary drugs.

(3) Human pharmaceutical product export permit

Overseas permits for human pharmaceutical products: 4 applications submitted; 2 permits received

2. API nanoparticle preparations platform development

Developed an API nanoparticle preparation platform, including development of API nanoparticle stabilizer preparation methodology and establishment of API nanoparticle production process and analytical methods.

3. Liposome pharmaceutical technology platform development

Carried out developments of a liposome technology platform, including establishment of a stabilized liposome formulation, production process, analytical method, and relevant statutory regulations.

4. Establishment of new product development and integration platform

Jointly established a new product development and integration platform with the business, property and product management, and production departments. The platform will continue to provide and release new products to the domestic market.

5. Joint participation in new drug research and development

Joint participation in new drug research and development for niche markets with the industry, academia, and research institutions were initiated. The mTOR anti-cancer new drug has entered Phase I of the clinical trial. The DPP4 Inhibitor new drug for diabetes also completed Phase I clinical trials. CSPC (Shandong, China) was authorized to conduct Phase I clinical trials in China.

Summary of business plans in 2016:

- (I) Business guidelines and important product and sales policies in the parent company and every subsidiary
 - 1. China Chemical & Pharmaceutical Co., Ltd. (parent company)
 - (1) Improve research and development capacities
 - Optimize the research and development platform and focus resources in the research and development of new products with high technical barriers.
 - Development of immunosuppressants product series for markets in developed countries in Europe, the United States, and Japan.
 - Development of high-tech product series for markets in developed countries in Europe, the United States, and Japan.
 - (2) Continuous quality improvements
 - Hsinfong Plant, Hsinfong Plant II, Taichung Plant, Tainan Plant II, and Tainan Plant III completed subsequent TFDA PIC/S GMP site surveillance audits for continuing certification and TFDA GDP audits.
 - Tainan Plant II completed subsequent US FDA site surveillance audit.
 - Hsinfong Plant and Taichung Plant lyophilic products manufacturing lines completed Japan PMDA audits.
 - Tainan Plant I and Taichung Plant have applied for veterinary product cGMP site surveillance and certification with the Council of Agriculture, and are currently awaiting site surveillance.
 - (3) Production capacity expansion
 - Hsinfong Plant added a fully automated pellet screening machine to improve the quality and performance of product screening.
 - Hsinfong Plant added a large pelletizing machine to expand the production capacity of special dosage form products.
 - Taichung Plant expanded its production capacity for injectables, and

established two separate production lines for powder products and freeze-dried products to improve production capacity and efficiency.

- Tainan Plant II acquired a high-speedlaser drilling machine to improve production efficiency.
- Tainan Plant III has established a dedicated medicinal soap production line and plant building compliant to PIC/S GMP.

(4) Global market development

- Tainan Plant II is dedicated to producing niche products for the American market. A routine overseas plant surveillance audit is expected to take place again this year by the US FDA. Several products have undergone development.
- Hsinfong Plant II focuses on the development of immunosuppressants product series for export. The plant has been audited and export to the Japanese market has been approved by the Japan PMDA. It is currently developing products with better profitability.
- Hsinfong Plant I and Taichung Plant have passed the Japan PMDA audit. Two lyophilic injectable products have been released for production and exported to Japan. Total exports for this year are expected to achieve a greater growth.
- To accelerate revenue expansion for the international market, efforts were made to expand export markets in developed countries, such as the US and Japan as well as markets and products for markets in Mainland China and Southeast Asia.

(5) Veterinary drug market management

- Adjust product mix and focus on the sales of injectables to improve profit margins for veterinary drugs.
- Expanded markets for health supplement products, such as lactobacillus, acidulants, enzymes, polysaccharides, phytochemicals, mold toxin absorbents, and concentrated premixes in order to improve the customers' safety and health requirements for veterinary products.
- Strengthen positioning of export markets of veterinary drugs in Southeast Asia.

2. Chunghwa Yuming Healthcare Co., Ltd. (subsidiary)

(1) Focus on expanding the scale of 3 major products:

- In response to price adjustments for health products and drugs, efforts were made to improve sales of competitive products and to initiate product portfolios for the next 5 years to raise real profitability.
- Re-defined key product positioning and marketing plans for proprietary pharmaceuticals, pharmaceutical distribution, healthcare products and self-paid products.

(2) Integrated and strengthened the functions of 3 major channels:

- Established 3 major business divisions of hospitals, clinics and drug stores, and healthcare to effectively integrate resources in various channels and achieve proper benefits.
- Hospital Division: Hospital department, cancer medicine section, central nervous section, and business and marketing section.
- Clinics & Drug Stores Divisions: Divided into Northern Taiwan, Central Taiwan, and Southern Taiwan divisions.
- Healthcare Division: Healthcare, Japan and US, and Medical Devices and Supplies divisions.

(3) Expand the scale of pharmaceuticals sale

- Actively introduced generic drug products from around the world and serve as a contract research organization for patented drugs, and integrated resources of sales channels with existing products.
- Continued collaboration of Taiwanese sales with Mylan, the largest generic drug company in the US.
- Re-established collaboration with Daiichi-Sankyo, a Japanese pharmaceutical company, to market OTC drugs. The first product successfully marketed in the previous year was Shin Lulu Ace, the leading brand of cold medicine in Japan.
- Continued collaboration with ONO, a Japanese pharmaceutical company, and acquired exclusive distribution rights in Taiwan for Opalmon, a new product of the company. Clinical trials have been initiated. New API and new drug inspection and registration will be activated this year.
- Collaborated with BoehringerIngelheim (Germany) to sell its respiratory tract products.

(4) Expand the market healthcare and self-paid products

- Continued to market products for brands such as GREEN, BRAUN, and KOZI,

and continued to monitor returns on investment.

- Expanded collaborative efforts with LION (Japan) and added distribution rights for home-use products.
- Acquired general distribution rights in Taiwan for personal and health products from elis (Japan), and actively expanded its market.
- Acquired general distribution rights in Taiwan for sheep milk powder from SSM (New Zealand) and actively expanded its market.

3. Suzhou Chunghwa Chemical & Pharmaceutical Industrial Co., Ltd. (SCCPC) (subsidiary)

(1) Major business and sales

Optimize product mix and continue to accelerate market expansions of non-antibiotics for senior and chronic diseases. Develop and position the company in the third terminal market and adopt systematic expansion efforts in the third terminal market; continue to promote brand and general medicine by leveraging the high quality generic drug reputation of SCCPC in the last 20 years. Continue to introduce distribution rights for new products to enrich the product mix.

(2) Expand investments for research and development

Fully implement consistency evaluations of generic drugs to maintain the vitality and competitiveness of key products. Strengthen training of registration standards and laws for domestic and overseas markets as well as research efforts, and work with pharmaceutical research institutions in the home country to continue research and development of competitive products.

(3) Continuous corporate improvement

Introduced the LIMS system for laboratories and OA system for offices to improve lab management standards. Establish a GMP system that complies with international standards to raise enterprise digitalization management standards, leverage the advantages of data analysis, and improve management efficiency.

(4) Expand overseas and local subcontracted manufacturing markets

Demands for generic drugs in the Japanese market have been increasing. Key efforts will be expanding the Japanese market and customers. In addition, incorporated and implemented the domestic market authorization holder (MAH) system and continued to search for domestic OEM for partnership opportunities.

(5) Home product business development

Take advantage of improved business opportunities with channels development and

accelerated the establishment of e-business channels. Use B2C brand with the flagship store as the benchmark to increase B2B volume, raising offline growth with online systems to properly establish O2O links. Use national franchise KA system and RT-Mart storefronts as nodes to link regional distribution and sales throughout the entire country to achieve synchronized development of upstream and downstream nodes.

4. Chunghwa Senior Care Co., Ltd. (CSCC) (subsidiary)

(1) Comprehensive expansion of production lines to improve production quality and capacity

- In addition to homecare services, efforts were invested to establish long-term care systems, inquiry services for home nursing systems (an IT-based system), assistive technologies, and products, subsidized applications and purchasing, homecare occupational therapy, referrals for rehabilitation services, and training and course-based products.

(2) Improve market differentiation and positioning for homecare and service markets

- Establish training, practice, and certification systems to create professional care standards for dementia, health promotion (rehabilitation support) and palliative cancer care, providing the market with professional services that are competitive and certified to high levels of standards.
- Actively collaborate with resources such as clinical partnerships with medical school hospitals and other consultation resources to expand the source of professional referrals.
- Make use of one-stop senior care resource centers to improve the value of overall services, customer loyalty, and reliance.
- Expand comprehensive IT management and case dispatch system with an application program to improve executive performance.

(3) Expanded care service training and other education courses

- Commercialize years of professional experiences and actively provided courses to external parties at fundamental and advanced levels as well as professional care for patients with dementia.
- Training courses also incorporated placement of commodity sales

(4) Actively developed alliances with businesses in other sectors

- Continue to search for resource integration opportunities with other industries.

Made plans to establish alliances with insurance companies and give support for insurance policy plans that include provision of tangible objects in order to increase marketing modes and channels.

(5) Expand businesses in new markets

- Plans have been made to add a new care service management center in southern Taiwan in the fourth quarter of this year to build a comprehensive service network.
- The project negotiation approach was adopted to actively match requirements in Mainland China to train professionals in the senior care industry and manage sales in the consultation sector.

5. Phermpep (subsidiary)

(1) Establish a Kefir research and development center in the Central Taiwan Science Park (CTSP) location

Phermpep established a CTSP location in July 2016. Since then, the location has been used as a center to establish links with partners from Taiwan and other countries to construct a leading brand of healthcare peptides. A Kefir research and development center was established to integrate relevant research and development and clinical medicine teams as well as professional management by marketing experts to continue research and development efforts for healthcare products derived from Kefir.

(2) Actively participate in EXPO and win national awards to improve corporate brand reputation

For the domestic market, the horizontal partnership with affiliates of CCPC was strengthened. Phermpep, Phermpep Your Life, and Full Health product series and the associated product properties were used to establish suitable sales channels to double annual revenues. In addition to marketing events, Phermpep also participated actively in the BioTaiwan Exhibition, annual conference of rehabilitation medicine association, and annual conference of the orthopedic association, and received the “We, Innovators Award”, successfully promoting the professional brand image of the company.

(3) Received health food certification for the first time and continued to reinforce production lines for core brands.

Kefir peptides are the key ingredients for Phermpep products, making it a core brand

of the company. The product KEFPEP stabilized tablets received a health food certification from the Ministry of Health and Welfare (MOHW), providing consumers with an orthopedic health product that has been scientifically proven and certified to national standards. In addition to KEFPEP stabilized tablets and milk peptide powders, relevant products were also introduced throughout the past years to enrich the Phermpep product series and actively expand the sales channels of the pharmaceutical profession in the country.

(4) Development of overseas partnerships and alliances with clinical trial teams

To expand the international market and develop potential partners, the company has participated in international commercial exhibits, such as the north American BIO International Convention held in San Francisco as well as the Vitafoods Asia HK. The company also initiated negotiations with health food commercial exhibits held in the US, China, Europe, ASEAN, India, and South Korea. The company also became a member of the California Institute of Food and Agriculture Research (CIFAR) to form an alliance with food nutrition and medical research teams in University of California, Davis, and made plans to conduct trials to verify product performance and benefits in human subjects with the aim to promote the international brand image of Kefir peptides.

(5) Improve commercial mass production processes and capacities of Kefir peptides

Long-term investments by the research and development teams of the company allowed successful establishment of Kefir fermentation process and material standardization, thereby allowing the company to provide a stable supply of Kefir materials for the domestic market and early developments of the international market. Mass production ramp up has been scheduled to ensure reliable availability of Kefir peptides in Taiwan and overseas markets.

6. Tai Rung Development Co., Ltd. (subsidiary)

- (1) To expand the scope of production and manage design, development, and manufacture of medical devices, the company successfully completed certification to ISO 13485 Medical devices - Quality management systems.
- (2) To fulfill high temperature filling or high temperature processing requirements, the company actively developed production and markets for heat resistant containers.

(II) Sales volume forecast and basis

For the 2017 sales volume forecast of the Company, the 2016 business guidelines as

well as various strategic objectives, such as market differentiation, improvements to product mix, and raising product development capacities were referenced to generate the following sales volume forecast tables.

Category	Unit	Sales volume
Injectables for human use	1,000 injection units	46, 829
Liquid dosage form and cream for human use	Kilograms	152, 076
Tablets for human use	1,000 pellets	2, 153, 406
Injectables for animal use	1,000 injection units	710
Liquid dosage form and cream for animal use	Kilograms	64, 484
Animal feed additives	Tons	2, 566
Plastic containers	Tons	645
Daily healthcare supplies	Tons	2, 417
Artificial joints	Unit	81, 380

2. Impacts of future corporate development strategies, external competition and environment, legal environment, and general business environment:
 - (I) In response to the new pricing policies of healthcare drugs, the scale of the sales platform shall be expanded, and efforts shall be invested to secure patented drugs from the original manufacturer and international distribution rights for generic drugs. In addition, the ability and scale of the sales platform will be strengthened, and sales channels of hospitals, clinic, and drugstores will be emphasized.
 - (II) Work with domestic and international partners to accelerate on the development or introduction of special drugs for rare diseases and cancers, as well as biological agents.
 - (III) Actively develop or introduce non-NHI-funded health care products and expand the revenue share of non-NHI-funded market.
 - (IV) For overseas subsidiaries, efforts include: establishment of a third terminal department to develop markets in the third terminal, active introduction of new products into the market, initiate product consistency evaluations in response to consistency evaluation policies; ensuring the comprehensiveness of public relations departments of various companies to achieve timely notices of government policies and stipulation of response measures thereof.

Finally, we wish every shareholder good health and prosperity!

Chairperson:



General Manager:



Accounting Manager:



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To China Chemical & Pharmaceutical Co., Ltd.:

Audit opinions

The individual asset balance sheet on December 31 for the years 2016 and 2015 and the individual statement of comprehensive income, individual equity change statement, individual cash flow statement, and attachments and notes of the individual financial statement (including a summary of major accounting policies) from January 1 to December 31 in the years 2016 and 2015 of China Chemical & Pharmaceutical Co., Ltd. have been approved by this CA.

Based on the audit results of this CPA and audit reports of other CPA (refer to the Section: other matters), the opinion of this CPA is that all material matters of the aforementioned financial statement were generated according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and are deemed sufficient in providing a suitable expression of the individual financial condition on December 31 for the years 2016 and 2015 and individual financial performance and individual cash flow from January 1st to December 31 for the years 2016 and 2015 of China Chemical & Pharmaceutical Co., Ltd..

Basis of audit opinions

Audit work by this CPA has been carried out in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted accounting principles of the Republic of China. The responsibilities of this CPA under the said principles shall be further elaborated in the section Responsibilities of Certified Public Accountants for the auditing of individual financial statements. Personnel under regulations of independence working for the accounting firm in which this CPA also works for are compliant to the code of professional ethics of accountants of the Republic of China, maintain a separate and independent relationship with China Chemical & Pharmaceutical Co., Ltd., and fulfilled other responsibilities under the said specifications. Based on the audit reports from other CPAs and the audit results obtained by himself, this CPA believes that sufficient and suitable audit evidence have been acquired to form a basis to express this audit opinions.

Key audit matter

Key audit items refer to any audit matter of the 2016 individual financial statement of China Chemical & Pharmaceutical Co., Ltd. that this CPA, on the basis of his or her professional judgment, finds to be the most important. These matters have been responded to during the process of auditing the entirety of the individual financial statement and the process of forming audit opinions. This CPA

will therefore not express individual opinions on these matters.

Allowances for reserve liability on sales discounts and returns

Description

Standards for estimating allowances for reserve liability on sales discounts and returns recognized by subsidiaries whose shares are partially held by China Chemical & Pharmaceutical Co., Ltd. are mainly based upon experiences of product sales. Since experiences serve as the main basis for estimating and listing allowances for reserve liability on sales discounts and returns, a higher degree of uncertainty exists for this estimate. This item was therefore listed as a key audit matter.

Audit procedures taken in response

This CPA has taken the following audit procedures for allowances for reserve liability on sales discounts and returns estimated and listed by subsidiaries whose shares are partially held by China Chemical & Pharmaceutical Co., Ltd. (where investments were accounted for using the equity method):

1. Refer to the understanding of corporate operations and nature of the industry to evaluate policies of the said subsidiaries for estimating allowances for reserve liability on sales discounts and returns.
2. Draw random samples to test the amount of allowances for sales discounts and the expected proportion of returns for compliance with the said policies.

Inventory valuation

Description

For accounting policies related to inventory valuation, please refer to Annex IV (11) of the financial report. For uncertainties of accounting estimates and assumptions for inventory valuation, please refer to Annex V (2) of the financial report. For descriptions of accounting items in the inventory, please refer to Annex VI (4) of the financial report.

China Chemical & Pharmaceutical Co., Ltd. is mainly involved in the production and sales of pharmaceuticals and healthcare products. Drug prices are easily affected by health insurance drug prices and include an effectiveness period, thereby resulting in higher risks of inventory devaluation and loss. As the inventory represents a significant sum of money, includes numerous items, and often involves human judgment for individual identification or inventory loss, inventory valuation is therefore listed as one of the key audit matters.

Audit procedures taken in response

This key audit matter covers both China Chemical & Pharmaceutical Co., Ltd. and subsidiaries whose shares are partially held by China Chemical & Pharmaceutical Co., Ltd. (where investments

were accounted for using the equity method). This CPA therefore implemented the following audit procedures for the specific layers described by the said key audit matter:

1. Refer to the understanding of corporate operations and nature of the industry to evaluate policies for setting aside allowances for inventory devaluation.
2. Test whether the market price basis of the net realizable value is compliant with the policies stipulated by the company, and implement random checks for the correctness of the sales price and net realizable value calculations of individual inventory item numbers.
3. Acquire expired inventory details that have been identified and approved by the management, inspect the relevant information within the said details and verify it against the listed records in the account.

Other matters - mention the auditing of other CPAs

For investees listed by equity method as part of the individual financial statement of China Chemical & Pharmaceutical Co., Ltd., the financial statements of the said investees were audited by other CPAs, and not by this CPA. Therefore, for opinions expressed by this CPA regarding the aforementioned individual financial statements, the amounts listed within the individual financial statements of the said investees were based upon the audit reports from other CPAs. Investments for said companies accounted for using the equity method on December 31 for the years 2016 and 2015 were NT\$496,248,000 (5.63% of total assets) and NT\$491,354,000 (5.67% of total assets) respectively. Comprehensive income accounted for by the aforementioned investees from January 1 to December 31 for the years 2016 and 2015 amounted to NT\$76,338,000 (40.20% of composite loss and gain) and NT\$78,365,000 (48.38% of composite loss and gain), respectively.

Responsibilities of corporate management and governance organization on the individual financial statements

Management responsibilities include generation of a fairly represented individual financial statement pursuant to the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintaining any necessary internal controls related to the generation of the individual financial statement to ensure that the individual financial statement do not contain material misstatement caused by fraud or errors.

Management responsibilities during the generation of individual financial statements include evaluation of the ability of China Chemical & Pharmaceutical Co., Ltd. as an ongoing concern, disclosure of relevant matters, and adoption of an accounting basis as an ongoing concern, unless the management intends to liquidate China Chemical & Pharmaceutical Co., Ltd. or terminate its operations, or have no other feasible plans besides liquidation or termination of operations.

The governance units of China Chemical & Pharmaceutical Co., Ltd. (including the audit committee) are responsible for supervising the process of financial reporting.

Responsibilities of Certified Public Accountants for the auditing of individual financial statements

The objective of this CPA for auditing the individual financial statement is to identify whether any material misstatement caused by fraud or errors exists within the entirety of the individual financial statement, and to generate an audit report. Reasonable assurance is regarded as high assurance. However, auditing carried out in accordance with the generally accepted accounting principles (GAAP) of the Republic of China is unable to guarantee the identification of material misstatement within the individual financial statement. Misstatement may be caused by errors or fraud. Any misstated individual amounts or consolidated sums that can be reasonably expected to affect the economic decisions of a user of the individual financial statement shall be regarded as material. When auditing, this CPA shall refer to the GAAP of the Republic of China, employ his or her professional judgment, and maintain professional skepticism. This CPA shall also implement the following tasks:

1. Identify and evaluate risks of material misstatement caused by fraud or error within the individual financial statement; design and implement a suitable responsive measure for the evaluated risks; and acquire sufficient and suitable audit evidence as the basis for establishing audit opinions. Fraud may involve complicity, fabrication, intended omission, misstatement, or violation of internal controls. Therefore, a risk of a failure to identify material misstatement caused by fraud will be higher than the same caused by errors.
2. Acquire any necessary understanding of internal controls key to the auditing process, and design auditing procedures suitable for the current situation. However, the objective for this activity is not to express opinions regarding the effectiveness of internal controls of China Chemical & Pharmaceutical Co., Ltd.
3. Assess the suitability of the accounting policy adopted by the management as well as the reasonableness of the accounting estimates and relevant disclosures made by the management.
4. Based on accounting evidence acquired, generate a conclusion on the suitability of accounting basis adopted by the management to continue as an ongoing concern and the presence of material uncertainties on events or conditions that cast significant doubt on the ability of China Chemical & Pharmaceutical Co., Ltd. to continue as an ongoing concern. Where this CPA believes that material uncertainties exist for said events or conditions, this CPA must state within the audit report alerting users of the individual financial statement to the related disclosures therein, or revise the audit opinion when the said disclosures were found to be unsuitable. The conclusions from this CPA are based upon audit evidence acquired up till the audit report date. However, future events or conditions may deprive the ability of China Chemical & Pharmaceutical Co., Ltd. as an ongoing concern.
5. Evaluate the overall expression, structure, and contents of the individual financial statement (including relevant attachments and notes), and whether the individual financial statement fairly expresses relevant transactions and events.

6. Acquire sufficient and adequate audit evidence from entities forming a group, and express an opinion on the individual financial statements thereof. This CPA is responsible for instructing, supervising, and conducting the auditing of a group, and is also responsible for forming an audit opinion for the group.

This CPA shall communicate matters, including the planned scope and schedule of the audit, and material audit findings (including any identified significant deficiency of internal controls found during the audit process), to the governance organization.

This CPA shall also provide, to the governance organization, a statement that personnel of the accounting firm thereof are compliant to the provisions related to independence of the code of professional ethics for accountants of the Republic of China, and shall also communicate to the governance agency any relationship or other matter that may affect the independence of the CPA (including relevant safeguards).

For communication matters between this CPA and the governance organization, determine key audit matters for the 2016 individual financial statement of China Chemical & Pharmaceutical Co., Ltd. This CPA shall describe such matters in the audit report, unless statutory regulations prohibit the open disclosure of the specified matters, or where, under extremely rare circumstances, this CPA decides not to communicate the specified matters within the audit report as it can be reasonably expected that the said communication may generate negative influences greater than the public benefit gained thereby.

PricewaterhouseCoopers, Taiwan

March 28, 2017

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.
Balance Sheets
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

Assets		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Assets					
1100	Cash and Cash Equivalents	\$ 75,486	1	\$ 102,487	1
1150	Notes Receivable	78,927	1	72,860	1
1160	Notes Receivable – Related Parties	163,749	2	167,119	2
1170	Accounts Receivable	171,567	2	160,533	2
1180	Accounts Receivable – Related Parties	842,154	10	753,084	9
1200	Other Receivables	26,896	-	27,235	-
1210	Other Receivables –Related Parties	199,758	2	169,697	2
1220	Current Income Tax Assets	18,482	-	3,685	-
130X	Inventories	761,334	9	707,076	8
1410	Prepayments	25,907	-	33,266	-
1470	Other Assets- Current	4,748	-	4,671	-
11XX	Total Current Assets	2,369,008	27	2,201,713	25
Non-Current assets					
1523	Available-for-sale Financial Assets- Noncurrent	252,205	3	277,470	3
1543	Financial Assets at Cost - Noncurrent	30,710	-	30,710	1
1550	Long-term Investments at Equity	2,508,853	29	2,553,590	29
1600	Property, Plant and Equipment	3,538,727	40	3,641,193	41
1780	Intangible Assets	14,197	-	-	-
1840	Deferred Tax Assets	87,966	1	111,383	1
1900	Other Non-current Assets	10,786	-	9,977	-
15XX	Total Non-Current Assets	6,443,444	73	6,624,323	75
1XXX	Total Assets	\$ 8,812,452	100	\$ 8,826,036	100

(Continue)

China Chemical & Pharmaceutical Co., Ltd.
Balance Sheets
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

Liabilities and Shareholders' Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Liabilities					
2100	Short-term Borrowings	\$ 950,614	11	\$ 965,406	11
2170	Accounts Payable	247,651	3	213,302	2
2180	Accounts Payable- Related Parties	12,199	-	6,458	-
2200	Other Payables	205,339	2	143,627	2
2230	Current Income Tax Liabilities	16,357	-	-	-
2250	Provisions— Current	20,000	-	20,000	-
2300	Other Current Liabilities	2,196	-	2,731	-
21XX	Total Current Liabilities	1,454,356	16	1,351,524	15
Non-Current Liabilities					
2540	Long-term Borrowings	1,640,000	19	1,599,000	18
2570	Deferred Income Tax Liabilities	100,415	1	107,115	1
2600	Other Non-Current Liabilities	165,288	2	327,404	4
25XX	Total Non-Current Liabilities	1,905,703	22	2,033,519	23
2XXX	Total Liabilities	3,360,059	38	3,385,043	38
Equity Attributable to Owners of Paren					
Share Capital					
3110	Ordinary Share	2,980,811	34	2,980,811	34
Capital Surplus					
3200	Capital Surplus	642,996	7	642,640	7
Retained Earnings					
3310	Legal Reserve	397,599	4	362,229	4
3320	Special Reserve	188,958	2	188,958	2
3350	Unappropriated Retained Earnings	1,216,639	14	1,161,478	13
Other Equity Interest					
3400	Other Interest	53,444	1	132,931	2
3500	Treasury Stock	(28,054)	-	(28,054)	-
3XXX	Total Shareholders' Equity	5,452,393	62	5,440,993	62
Significant Contingent Liability&Unrealized					
Contractual Arrangement					
Significant Subsequent Events					
3X2X	Total Liabilities & Shareholders' Equity	\$ 8,812,452	100	\$ 8,826,036	100

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Comprehensive Income
January 1 to December 31, 2016 and 2015

Unit : NT\$ Thousands
(EPS: NT Dollars)

	Item	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
4000	Operating Revenue	\$ 2,936,959	100	\$ 2,718,471	100
5000	Operating Costs	(2,277,886)	(77)	(2,130,172)	(78)
5900	Gross Profit from Operations	659,073	23	588,299	22
5910	Unrealized Sale Gain	(110,005)	(4)	(112,393)	(4)
5920	Realized Sale Gain	112,393	4	166,776	6
5950	Net Gross Profit from Operations	661,461	23	642,682	24
	Operating Expenses				
6100	Selling Expenses	(80,820)	(3)	(81,685)	(3)
6200	Administrative Expenses	(125,118)	(4)	(127,491)	(5)
6300	Research and Development Expenses	(258,421)	(9)	(267,650)	(10)
6000	Total Operating Expenses	(464,359)	(16)	(476,826)	(18)
6900	Net Operating Income	197,102	7	165,856	6
	Non- Operating Income and Expenses				
7010	Other Revenue	34,011	1	72,222	2
7020	Other Gains and Losses	4,304	-	25,876	1
7050	Finance Cost	(34,194)	(1)	(35,570)	(1)
7070	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method)	154,242	5	187,024	7
7000	Total Non-operating Income and Expenses	158,363	5	249,552	9
7900	Income Before Income Tax	355,465	12	415,408	15
7950	Income tax expense	(42,256)	(2)	(61,712)	(2)
8200	Net Income	\$ 313,209	10	\$ 353,696	13
	Other Comprehensive Income that will be Reclassified to Profit or Loss				
8311	Defined Benefit Plans be Remeasured	(\$ 24,108)	(1)	(\$ 21,196)	(1)
8330	Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method	(23,820)	-	(3,491)	-
8349	Income Tax not Related to Components of Other Comprehensive Income	4,099	-	3,603	-
8310	Total Components of Other Comprehensive Income That will be not Reclassified to Profit or Loss	(43,829)	(1)	(21,084)	(1)
8361	Exchange Differences on Translation of Foreign Financial Statements	(62,889)	(2)	(14,189)	-
8362	Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets	(25,265)	(1)	(158,312)	(6)
8380	Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit	(2,024)	-	(575)	-
8399	Income Tax Relating to Components of Other Comprehensive Income	10,691	-	2,413	-
8360	Total Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(79,487)	(3)	(170,663)	(6)
8300	Other Comprehensive Income(Loss) After Tax	(\$ 123,316)	(4)	(\$ 191,747)	(7)
8500	Total Comprehensive Income	\$ 189,893	6	\$ 161,949	6
	Earnings per Share				
9750	Diluted Earnings Per Share	\$ 1.05		\$ 1.19	

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Changes In Equity
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

	Capital		Surplus		Retained		Earnings		Other Equity		Interest		
Ordinary Share	Additional Paid-In Capital	Treasury Stock Transactions	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Stock	Total Equity				
January 1st to December 31, 2015													
Equity at Beginning Of Period	\$2,980,811	\$ 578,416	\$ 63,868	\$ 327,457	\$ 188,958	\$ 1,042,487	\$ 63,345	\$ 240,249	(\$ 28,054)	\$5,457,537			
Appropriation and Distribution of Retained Earnings of 2014 :													
Legal Reserve	-	-	-	34,772	-	(34,772)	-	-	-	-			
Cash Dividends	-	-	-	-	-	(178,849)	-	-	-	(178,849)			
Subsidiaries Acquired Cash Dividend Payment of Parent Company	-	-	356	-	-	-	-	-	-	356			
Net Income	-	-	-	-	-	353,696	-	-	-	353,696			
Other Comprehensive Income	-	-	-	-	-	(21,084)	(11,638)	(159,025)	-	(191,747)			
Balance, December 31, 2015	<u>\$2,980,811</u>	<u>\$ 578,416</u>	<u>\$ 64,224</u>	<u>\$ 362,229</u>	<u>\$ 188,958</u>	<u>\$ 1,161,478</u>	<u>\$ 51,707</u>	<u>\$ 81,224</u>	<u>(\$ 28,054)</u>	<u>\$5,440,993</u>			
January 1st to December 31, 2016													
Equity at Beginning Of Period	\$2,980,811	\$ 578,416	\$ 64,224	\$ 362,229	\$ 188,958	\$ 1,161,478	\$ 51,707	\$ 81,224	(\$ 28,054)	\$5,440,993			
Appropriation and Distribution of Retained Earnings of 2015 :													
Legal Reserve	-	-	-	35,370	-	(35,370)	-	-	-	-			
Cash Dividends	-	-	-	-	-	(178,849)	-	-	-	(178,849)			
Subsidiaries Acquired Cash Dividend Payment of Parent Company	-	-	356	-	-	-	-	-	-	356			
Net Income	-	-	-	-	-	313,209	-	-	-	313,209			
Other Comprehensive Income	-	-	-	-	-	(43,829)	(52,249)	(27,238)	-	(123,316)			
Balance, December 31, 2016	<u>\$2,980,811</u>	<u>\$ 578,416</u>	<u>\$ 64,580</u>	<u>\$ 397,599</u>	<u>\$ 188,958</u>	<u>\$ 1,216,639</u>	<u>(\$ 542)</u>	<u>\$ 53,986</u>	<u>(\$ 28,054)</u>	<u>\$5,452,393</u>			

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Cash Flows
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Cash Flows From (Used in) Operating Activities</u>		
Profit (Loss) Before Tax	\$ 355,465	\$ 415,408
Adjustments		
Unrealized Sale Gain	110,005	112,393
Realized Sale Gain	(112,393)	(166,776)
Depreciation expense	174,524	173,182
Bad Debts Recognized Revenue	1,536	(3,473)
Interest Expense	34,194	35,570
Interest Revenue	(4,213)	(4,078)
Dividend Revenue	(9,091)	(11,013)
Share of Other Comprehensive Income of Associates and		
Joint Ventures Accounted for Using Equity Method	(154,242)	(187,024)
Gain on Disposal of Property, Plant and Equipment	(981)	(36,292)
Notes Receivable (Include Related Parties)	(3,458)	(2,407)
Accounts Receivable (Include Related Parties)	(100,878)	123,891
Inventories	(54,258)	59,036
Other Receivable	(293)	8,919
Other Receivable - Related Parties	(7,035)	(15,138)
Prepayments	7,282	(11,843)
Accounts Payable (Include Related Parties)	40,090	(60,701)
Other Payable(Include Related Parties)	26,684	(3,889)
Provision— Current	-	(20,614)
Other Current Liabilities	(535)	(938)
Decrease(Increase) in Net Defined Benefit Liability	(178,904)	(4,669)
Cash Inflow (Outflow) Generated from Operations	123,499	399,544
Interest Received	4,496	3,794
Receive Cash Dividends	122,710	103,735
Interest Paid	(34,504)	(35,630)
Income Taxes Refund (Paid)	(9,190)	(100,952)
Net Cash Flows from (used in) Operating Activities	207,011	370,491

(Continue)

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Cash Flows
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Cash Flows From (Used in) Investing Activities</u>		
Decrease(Increase) in Financing receivable	(\$ 22,676)	\$ 4,282
Acquired Financial Assets at Cost - Noncurrent	-	(15,000)
Investment Income on Equity-Method -Subsidiary	-	(35,000)
Purchase of Property, Plant and Equipment	(54,874)	(167,803)
Disposal of Property, Plant and Equipment	2,043	241,880
Decrease(Increase) in Refundable Deposits	(999)	(337)
Decrease(Increase) in Other Non-current Assets	<u>3,083</u>	<u>3,068</u>
Net Cash Flows From (Used in) Investing Activities	<u>(73,423)</u>	<u>31,090</u>
<u>Cash flows from (used in) Financing Activities</u>		
Decrease(Increase) In Short-term Borrowings	(14,793)	(107,012)
Decrease(Increase) in Short-term Notes and Bills Payable	-	(100,000)
Proceeds from Long-term Borrowings	261,000	695,000
Repayment of Long-term Borrowings	(220,000)	(721,000)
Decrease(Increase) in Guarantee Deposits Received	(7,947)	1,467
Assigned Cash Dividends	<u>(178,849)</u>	<u>(178,849)</u>
Net cash FlowsFrom (Used in) Financing Activities	<u>(160,589)</u>	<u>(410,394)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(27,001)	(8,813)
Cash and Cash Equivalents at Beginning of Period	<u>102,487</u>	<u>111,300</u>
Cash and Cash Equivalents at End of Period	<u>\$ 75,486</u>	<u>\$ 102,487</u>

Annex 3

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To China Chemical & Pharmaceutical Co., Ltd.:

Audit opinions

This CPA has audited the consolidated balance sheet of December 31 of 2016 and 2015 and the consolidated statement of comprehensive income, consolidated equity change statement, consolidated cash flow statement, and attachments and notes of the consolidated financial statement (including a summary of major accounting policies) of January 1 to December 31 of 2016 and 2015 of China Chemical & Pharmaceutical Co., Ltd. and its subsidiaries (hereinafter referred to as “CCPC Group”) have been approved by this CPA.

According to the opinion of this CPA, based upon the audit results of this CPA and other CPA (refer to the Section: other matters), all material matters of the aforementioned consolidated financial statement were generated according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), explanations, and interpretations approved by the FSC, and are deemed sufficient in providing a suitable expression of the consolidated financial condition in December 31 of 2016 and 2015 and consolidated financial performance and consolidated cash flow in January 1 to December 31 of 2016 and 2015 of CCPC Group.

Basis of audit opinions

Audit work by this CPA has been carried out in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted accounting principles of the Republic of China. The responsibilities of this CPA under the said principles shall be further elaborated in the section Responsibilities of Certified Public Accountants for the auditing of consolidated financial statements. Personnel under regulations of independence working for the accounting firm in which this CPA also works for are compliant to the code of professional ethics of accountants of the Republic of China, and maintain a detached and independent relationship with CCPC Group, and fulfilled other responsibilities under the said specifications. This CPA believes, on the basis of audit results of this CPA and audit reports from other CPA, that sufficient and suitable audit evidence have been acquired to form a basis to express this audit opinions.

Key audit matter

Key audit items refer to any audit matter of the 2016 consolidated financial statement of CCPC Group that this CPA, on the basis of his or her professional judgment, finds to be the most important. These matters have been responded to during the process of auditing the entirety of the consolidated financial statement and the process of forming audit opinions. This

CPA will therefore not express individual opinions on these matters.

Allowances for reserve liability on sales discounts and returns

Description

For accounting policies of allowances for reserve liability on sales discounts and returns, please refer to Annex IV(26) of the consolidated financial report; for uncertainties of accounting estimates and assumptions for allowances for reserve liability on sales discounts and returns, please refer to Annex V(2) of the consolidated financial report; for account title descriptions of allowances for reserve liability on sales discounts and returns, please refer to Annex VI(3) and VI(13) of the consolidated financial report;

Standards for estimating allowances for reserve liability on sales discounts and returns are mainly based upon past experiences of product sales. Since past experiences serve as the main basis for the estimating and listing allowances for reserve liability on sales discounts and returns, a higher degree of uncertainty exists for this estimate. This item is therefore listed as a key audit matter.

Audit procedures taken in response

The following lists a summary of descriptions of audit procedures taken by this CPA for the specific layers described by the said key audit matter:

1. Refer to the understanding of Group operations and nature of the industry to evaluate policies for estimating allowances for reserve liability on sales discounts and returns.
2. Draw random samples to test the amount of allowances for sales discounts and the expected proportion of returns for compliance with the said policies.

Inventory valuation

Description

For accounting policies related to inventory valuation, please refer to Annex IV (12) of the consolidated financial report. For uncertainties of accounting estimates and assumptions for inventory valuation, please refer to Annex V (2) of the consolidated financial report. For descriptions of accounting items in the inventory, please refer to Annex VI (4) of the consolidated financial report.

CCPC Group is mainly involved in the production and sales of pharmaceuticals and healthcare products. Drug prices are easily affected by health insurance drug prices and include an effectiveness period, thereby resulting in higher risks of inventory devaluation and loss. As the inventory represents a significant sum of money, includes numerous items, and often involves human judgment for individual identification or inventory loss, inventory valuation

is therefore listed as one of the key audit matters.

Audit procedures taken in response

The following describes audit procedures taken by this CPA for the specific layers described by the said key audit matter:

1. Refer to the understanding of Group operations and nature of the industry to evaluate policies for setting aside allowances for inventory devaluation.
2. Test whether the market price basis of the net realizable value is compliant with the policies stipulated by the Group, and implement random checks for the correctness of the sales price and net realizable value calculations of individual inventory item numbers.
3. Acquire expired inventory details that have been identified and approved by the management, inspect the relevant information within the said details and verify it against the listed records in the account.

Other matters - mention the auditing of other CPAs

The 2016 financial statement of CCPC Group and 2015 financial statements from of a number of subsidiaries were not audited by this CPA, but other CPAs. Therefore, for opinions expressed by this CPA regarding the aforementioned consolidated financial statement, the amounts listed within the financial statements of the said companies and relevant information disclosed in Note 13 were based upon the audit reports from other CPAs. Total assets of the subsidiaries on December 31 for the years 2016 and 2015 amounted to NT\$194,095,000 (equal to 1.95% of consolidated total assets) and NT\$243,618,000 (equal to 2.46% of consolidated total assets), respectively. Operating revenues for 2016 and 2015 amounted to NT\$163,995,000 (equal to 2.84% of consolidated operating revenue) and NT\$195,713,000 (equal to 3.48% of consolidated operating revenue), respectively. Additionally, investments accounted for using the equity method and information disclosed on a number of investees in Note 13 of CCPC Group in the years 2016 and 2015 were evaluated and disclosed in financial statements audited by other CPAs commissioned by the said investees. This CPA did not audit the said financial statements. Investment balances accounted for using the equity method prior to December 31 2016 and December 31 2015 amounted to NT\$416,112,000 (equal to 4.18% of consolidated total assets) and NT\$415,322,000 (equal to 4.19% of consolidated total assets), respectively. Comprehensive income accounted for in 2016 and 2015 (including shares of loss and gain of affiliated companies and pooling of capital accounted, and shares in other comprehensive income accounted for using the equity method) amounted to NT\$71,883,000 (equal to 37.53% of comprehensive income) and NT\$59,179,000 (equal to 35.43% of comprehensive income), respectively.

Others matters - individual financial reports

CCPC Group has generated individual financial statements for 2016 and 2015. Herein

provides the audit report with unqualified opinion from this CPA for future reference.

Responsibilities of corporate management and governance organization on the financial statements

Management responsibilities include generation of a fairly represented consolidated financial statement pursuant to the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as IFRS, IFA, explanations, and interpretations approved by the FSC, and maintaining any necessary internal controls related to the generation of the consolidated financial statement to ensure that the consolidated financial statement does not contain material misstatement caused by fraud or errors.

Management responsibilities during the generation of consolidated financial statement include evaluation of the ability of CCPC Group as an ongoing concern, disclosure of relevant matters, and adoption of an accounting basis as an ongoing concern, unless the management intends to liquidate CCPC Group or terminate its operations, or have no other feasible plans besides liquidation or termination of operations.

The governance organization of CCPC Group (including the audit committee) is responsible for supervising the process of financial reporting.

Responsibilities of Certified Public Accountants for the auditing of financial statements

The objective of this CPA for auditing the consolidated financial statement is to identify whether material misstatement caused by fraud or errors exist within the entirety of the consolidated financial statement, and to generate an audit report. Reasonable assurance is regarded as high assurance. However, auditing carried out in accordance with the generally accepted accounting principles (GAAP) of the Republic of China is unable to guarantee the identification of material misstatement within the consolidated financial statement. Misstatement may be caused by errors or fraud. Any misstated individual amounts or consolidated sums that can be reasonably expected to affect the economic decisions of a user of the consolidated financial statement shall be regarded as material.

When auditing, this CPA shall refer to the GAAP of the Republic of China, employ his or her professional judgment, and maintain professional skepticism. This CPA shall also implement the following tasks:

7. Identify and evaluate risks of material misstatement caused by fraud or error within the consolidated financial statement; design and implement a suitable responsive measure for the evaluated risks; and acquire sufficient and suitable audit evidence as the basis for establishing audit opinions. Fraud may involve complicity, fabrication, intended omission, misstatement, or violation of internal controls. Therefore, a risk of a failure to identify

material misstatement caused by fraud will be higher than the same caused by errors.

8. Acquire any necessary understanding of internal controls key to the auditing process, and design auditing procedures suitable for the current situation. However, the objective for this activity is not to express opinions regarding the effectiveness of internal controls of CCPC Group.
9. Assess the suitability of the accounting policy adopted by the management as well as the reasonableness of the accounting estimates and relevant disclosures made by the management.
10. On the basis of accounting evidence acquired, generate a conclusion on the suitability of accounting basis adopted by the management to continue as a going concern and the presence of material uncertainties on events or conditions that cast significant doubt on the ability of CCPC Group to continue as a going concern. Where this CPA believes that material uncertainties exists for said events or conditions, this CPA must state within the audit report alerting users of the consolidated financial statement to the related disclosures therein, or revise the audit opinion when the said disclosures were found to be unsuitable. The conclusion of this CPA is based upon audit evidence acquired up till the audit report date. However, future events or conditions may deprive the ability of CCPC Group to continue as a going concern.
11. Evaluate the overall expression, structure, and contents of the consolidated financial statement (including relevant attachments and notes), and whether the consolidated financial statement fairly expresses relevant transactions and events.
12. Acquire sufficient and adequate audit evidence from entities composing a group, and express an opinion to the consolidated financial statement thereof.

This CPA is responsible for instructing, supervising, conducting the auditing of a group, and forming an audit opinion for the group.

This CPA shall communicate matters, including the planned scope and schedule of the audit, and material audit findings (including any identified significant deficiency of internal controls found during the audit process), to the governance organization.

This CPA shall also provide, to the governance organization, a statement that personnel of the accounting firm thereof are compliant to the provisions related to independence of the code of professional ethics for accountants of the Republic of China, and shall also communicate to the governance agency any relationship or other matter that may affect the independence of the CPA (and include relevant safeguards).

For communication matters between this CPA and the governance organization, determine key audit matters for the 2016 consolidated financial statement of CCPC Group. This CPA shall describe such matters in the audit report, unless statutory regulations prohibit the open disclosure of the specified matters, or where, under extremely rare circumstances, this CPA

decides not to communicate the specified matters within the audit report as it can be reasonably expected that the said communication may generate negative influences greater than the public benefit gained thereby.

PricewaterhouseCoopers, Taiwan

March 28, 2017

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 Condensed Balance Sheets
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

Assets		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Assets					
1100	Cash and Cash Equivalents	\$ 628,746	6	\$ 701,797	7
1147	Current Investments in Debt Instrument Without				
	Active Market	12,000	-	20,000	-
1150	Notes Receivable	391,559	4	338,188	3
1160	Notes Receivable – Related Parties	163,749	2	167,119	2
1170	Accounts Receivable	1,122,244	11	1,064,551	11
1180	Accounts Receivable – Related Parties	90,470	1	67,118	1
1200	Other Receivables	32,798	-	28,724	-
1210	Other Receivables –Related Parties	183,022	2	164,305	2
1220	Current Income Tax Assets	18,512	-	3,714	-
130X	Inventories	1,604,663	16	1,485,334	15
1410	Prepayments	61,452	1	53,995	1
1476	Other Financial Assets- Current	16,472	-	31,500	-
11XX	Total Current Assets	4,325,687	43	4,126,345	42
Non-Current assets					
1523	Available-for-sale Financial Assets- Noncurrent	252,205	3	277,470	3
1543	Financial Assets at Cost - Noncurrent	30,710	-	30,710	-
1550	Long-term Investments at Equity	811,821	8	793,084	8
1600	Property, Plant and Equipment	4,162,002	42	4,265,256	43
1780	Intangible Assets	34,493	-	9,408	-
1840	Deferred Tax Assets	145,637	2	169,460	2
1900	Other Non-current Assets	194,562	2	241,172	2
15XX	Total Non-Current Assets	5,631,430	57	5,786,560	58
1XXX	Total Assets	\$ 9,957,117	100	\$ 9,912,905	100

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Condensed Balance Sheets
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

Liabilities and Shareholders' Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Liabilities					
2100	Short-term Borrowings	\$ 1,060,620	11	\$ 1,045,407	11
2110	Short-Term Notes and Bills Payable	115,994	1	73,994	1
2150	Notes Payable	82,352	1	156,857	2
2170	Accounts Payable	638,345	6	573,830	6
2200	Other Payables	371,642	4	298,406	3
2230	Current Income Tax Liabilities	27,376	-	17,759	-
2250	Provisions- Current	68,115	1	53,158	-
2300	Other Current Liabilities	64,411	1	52,871	-
21XX	Total Current Liabilities	<u>2,428,855</u>	<u>25</u>	<u>2,272,282</u>	<u>23</u>
Non-Current Liabilities					
2540	Long-term Borrowings	1,640,000	16	1,599,000	16
2570	Deferred Income Tax Liabilities	122,281	1	129,095	2
2600	Other Non-Current Liabilities	267,656	3	423,071	4
25XX	Total Non-Current Liabilities	<u>2,029,937</u>	<u>20</u>	<u>2,151,166</u>	<u>22</u>
2XXX	Total Liabilities	<u>4,458,792</u>	<u>45</u>	<u>4,423,448</u>	<u>45</u>
Equity Attributable to Owners of Parent					
Share Capital					
3110	Ordinary Share	2,980,811	30	2,980,811	30
Capital Surplus					
3200	Capital Surplus	642,996	7	642,640	6
Retained Earnings					
3310	Legal Reserve	397,599	4	362,229	4
3320	Special Reserve	188,958	2	188,958	2
3350	Unappropriated Retained Earnings	1,216,639	12	1,161,478	12
Other Equity Interest					
3400	Other Interest	53,444	-	132,931	1
3500	Treasury Stock	(28,054)	-	(28,054)	-
31XX	Total Equity Attributable to Shareholders of the Parent	<u>5,452,393</u>	<u>55</u>	<u>5,440,993</u>	<u>55</u>
36XX	Noncontrolling Interests	<u>45,932</u>	<u>-</u>	<u>48,464</u>	<u>-</u>
3XXX	Total Shareholders' Equity	<u>5,498,325</u>	<u>55</u>	<u>5,489,457</u>	<u>55</u>
Significant Contingent Liability&Unrealized Contractual Arrangement Significant Subsequent Events					
3X2X	Total Liabilities & Shareholders' Equity	<u>\$ 9,957,117</u>	<u>100</u>	<u>\$ 9,912,905</u>	<u>100</u>

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Comprehensive Income
January 1 to December 31, 2016 and 2015

Unit : NT\$ Thousands
(EPS: NT Dollars)

Item	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
4000 Operating Revenue	\$ 5,781,413	100	\$ 5,627,644	100
5000 Operating Costs	(4,092,405)	(71)	(4,015,274)	(72)
5950 Gross Profit from Operations	<u>1,689,008</u>	<u>29</u>	<u>1,612,370</u>	<u>28</u>
Operating Expenses				
6100 Selling Expenses	(889,274)	(15)	(862,094)	(15)
6200 Administrative Expenses	(188,216)	(3)	(177,651)	(3)
6300 Research and Development Expenses	(325,083)	(6)	(326,669)	(6)
6000 Total Operating Expenses	<u>(1,402,573)</u>	<u>(24)</u>	<u>(1,366,414)</u>	<u>(24)</u>
6900 Net Operating Income	<u>286,435</u>	<u>5</u>	<u>245,956</u>	<u>4</u>
Non- Operating Income and Expenses				
7010 Other Revenue	47,040	1	120,375	2
7020 Other Gains and Losses	4,613	-	(5,556)	-
7050 Finance Cost	(36,038)	(1)	(38,528)	-
7060 Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method)	<u>85,354</u>	<u>1</u>	<u>128,082</u>	<u>2</u>
7000 Total Non-operating Income and Expenses	<u>100,969</u>	<u>1</u>	<u>204,373</u>	<u>4</u>
7900 Income Before Income Tax	387,404	6	450,329	8
7950 IncomeTax Expense	(71,510)	(1)	(90,378)	(2)
8200 Net Income	<u>\$ 315,894</u>	<u>5</u>	<u>\$ 359,951</u>	<u>6</u>

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Comprehensive Income
January 1 to December 31, 2016 and 2015

Unit : NT\$ Thousands
(EPS: NT Dollars)

Item		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Other Comprehensive Income that will be Reclassified to Profit or Loss					
8311	Defined Benefit Plans be Remeasured	(\$ 45,107)	(1)	(\$ 26,503)	-
8320	Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method	(7,420)	-	(264)	-
8349	Income Tax not Related to Components of Other Comprehensive Income	7,668	-	4,507	-
8310	Total Components of Other Comprehensive Income That Will be not Reclassified to Profit or Loss Components of Other Comprehensive Income That Will be Reclassified to Profit or Loss	(44,859)	(1)	(22,260)	-
8361	Exchange Differences on Translation of Foreign Financial Statements	(62,889)	(1)	(14,189)	-
8362	Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets	(25,265)	-	(158,312)	(3)
8370	Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit	(2,024)	-	(575)	-
8399	Income Tax Relating to Components of Other Comprehensive Income	10,691	-	2,413	-
8360	Total Components of Other Comprehensive Income That Will be Reclassified to Profit or Loss	(79,487)	(1)	(170,663)	(3)
8300	Total Net Comprehensive Profit(Loss) After Tax	(\$ 124,346)	(2)	(\$ 192,923)	(3)
8500	Total Comprehensive Income	\$ 191,548	3	\$ 167,028	3
Net Income (Losses) Attributable to:					
8610	Shareholders of the Parent	\$ 313,209	5	\$ 353,696	6
8620	Noncontrolling Interests	\$ 2,685	-	\$ 6,255	-
Comprehensive Income Attributable to:					
8710	Shareholders of the Parent	\$ 189,893	3	\$ 161,949	3
8720	Noncontrolling Interests	\$ 1,655	-	\$ 5,079	-
Earnings per Share					
9750	Diluted Earnings Per Share	\$ 1.05		\$ 1.19	

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2016 and 2015

Unit : NTS Thousands

Total	Equity		Attributable to Owners of Parent				Non-controlling Interests	Total Equity					
	Ordinary Share	Addition al Paid-In Capital	Treasury Stock Transactions	Legal Reserve	Retained Earnings	Special Reserve			Unappropriated Retained Earnings	Other Equity	Interest on Financial Assets	Treasury Stock	Total
January 1st to December 31, 2015													
Equity at Beginning Of Period	\$2,980,81	\$ 578,416	\$ 63,868	\$ 327,457	\$ 188,958	\$1,042,487	\$ 63,345	\$ 240,249	(\$ 28,054)	\$5,457,537	\$ 26,015	\$5,483,552	
Appropriation and Distribution of Retained Earnings of 2014 :													
Legal Reserve	-	-	-	34,772	-	(34,772)	-	-	-	-	-	-	
Cash Dividends	-	-	-	-	-	(178,849)	-	-	-	(178,849)	-	(178,849)	
Subsidiaries Acquired Cash Dividend Payment of Parent Company	-	-	356	-	-	-	-	-	-	356	141	497	
Profit for The Year Ended December 31, 2015	-	-	-	-	-	353,696	-	-	-	353,696	6,255	359,951	
Other Comprehensive Income	-	-	-	-	-	(21,084)	(11,638)	(159,025)	-	(191,747)	(1,176)	(192,923)	
Changes in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	17,229	17,229	
Balance, December 31, 2015	\$2,980,81	\$ 578,416	\$ 64,224	\$ 362,229	\$ 188,958	\$1,161,478	\$ 51,707	\$ 81,224	(\$ 28,054)	\$5,440,993	\$ 48,464	\$5,489,457	
January 1st to December 31, 2016													
Equity at Beginning Of Period	\$2,980,81	\$ 578,416	\$ 64,224	\$ 362,229	\$ 188,958	\$1,161,478	\$ 51,707	\$ 81,224	(\$ 28,054)	\$5,440,993	\$ 48,464	\$5,489,457	
Appropriation and Distribution of Retained Earnings of 2015 :													
Legal Reserve	-	-	-	35,370	-	(35,370)	-	-	-	-	-	-	
Cash Dividends	-	-	-	-	-	(178,849)	-	-	-	(178,849)	-	(178,849)	
Subsidiaries Acquired Cash Dividend Payment of Parent Company	-	-	356	-	-	-	-	-	-	356	141	497	
Profit for The Year Ended December 31, 2016	-	-	-	-	-	313,209	-	-	-	313,209	2,685	315,894	
Other Comprehensive Income	-	-	-	-	-	(43,829)	(52,249)	(27,238)	-	(123,316)	(1,030)	(124,346)	
Changes in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	(4,328)	(4,328)	
Balance, December 31, 2016	\$2,980,81	\$ 578,416	\$ 64,580	\$ 397,599	\$ 188,958	\$1,216,639	(\$542)	\$ 53,986	(\$ 28,054)	\$5,452,393	\$ 45,932	\$5,498,325	

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Cash Flows
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Cash Flows From (Used in) Operating Activities</u>		
Consolidated Profit (Loss) Before Tax	\$ 387,404	\$ 450,329
Adjustments		
Depreciation expense	251,245	246,707
Amortized Expense	1,689	2,006
Bad Debts Recognized Revenue	2,812	(3,751)
Decrease in Allowance for Sales Returns and Allowances	(3,193)	(7,607)
Interest Expense	36,038	38,528
Interest Revenue	(15,777)	(17,365)
Dividend Revenue	(9,091)	(11,013)
Share of gain (loss) of Associates and Joint Ventures		
Accounted for Using Equity Method	(85,354)	(128,082)
Gain on Disposal of Property, Plant and Equipment	(1,384)	(36,262)
Impairment Loss	-	30,747
Notes Receivable (Include Related Parties)	(51,249)	(223)
Accounts Receivable (Include Related Parties)	(93,443)	(61,678)
Other Receivable (Include Related Parties)	23,516	7,087
Inventories	(156,777)	59,503
Prepayments	(7,662)	7,752
Notes Payable	(62,025)	68,999
Accounts Payable	56,021	37,896
Other Payable	32,812	5,089
Provision - Current	14,957	(45,822)
Other Current Liabilities	11,540	16,964
Other Non-Current Liabilities	(143,176)	(14,014)
Cash Inflow (Outflow) Generated from Operations	<u>188,903</u>	<u>645,790</u>
Interest Received	16,061	17,081
Receive Cash Dividends	66,268	46,637
Interest Paid	(36,214)	(36,046)
Income Taxes Refund (Paid)	(40,798)	(118,615)
Net Cash Flows from (used in) Operating Activities	<u>194,220</u>	<u>554,847</u>

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Cash Flows
For the Year Ended December 31, 2016 and 2015

Unit : NT\$ Thousands

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Cash Flows From (Used in) Investing Activities</u>		
Current Investments In Debt Instrument Without Active Market	\$ 8,000	(\$ 20,000)
Decrease(Increase) in Financing Receivable	(22,676)	4,282
Decrease(Increase) in Pledged Deposit	15,028	(13,778)
Acquired Financial Assets at Cost - Noncurrent	-	(15,000)
Purchase of Property, Plant and Equipment	(148,920)	(308,878)
Disposal of Property, Plant and Equipment	2,845	249,296
Decrease(Increase) in Refundable Deposits	3,021	(6,584)
Decrease(Increase) in Prepaid Investment	-	30,000
Decrease(Increase) in Other Non-current Assets	(11,700)	(2,631)
Acquisition of subsidiaries (Deduct the cash received)	(7,783)	-
Net Cash Flows From (Used in) Investing Activities	(162,185)	(83,293)
<u>Cash flows from (used in) Financing Activities</u>		
Decrease(Increase) In Short-term Borrowings	15,213	(174,492)
Decrease(Increase) in Short-term Notes and Bills Payable	42,000	(198,984)
Proceeds from Long-term Borrowings	261,000	695,000
Repayment of Long-term Borrowings	(220,000)	(721,000)
Decrease(Increase) in Guarantee Deposits Received	(11,077)	899
Assigned Cash Dividends	(178,849)	(178,849)
Acquired Cash Dividends By Minority Interest	(4,328)	(2,771)
Non-controlling Interests change	-	20,000
Net cash FlowsFrom (Used in) Financing Activities	(96,041)	(560,197)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9,045)	(5,467)
Net Increase (Decrease) In Cash and Cash Equivalents	(73,051)	(94,110)
Cash and Cash Equivalents at Beginning of Period	701,797	795,907
Cash and Cash Equivalents at End of Period	<u>\$ 628,746</u>	<u>\$ 701,797</u>

China Chemical & Pharmaceutical Co., Ltd.

Disposition of net profit

2016

Unit: NT\$1,000

Item	Sum
2016 Net profit	313,208,527
Less: Legal reserves that have been set aside	31,320,853
Add: Undistributed earnings at the beginning of the period	947,259,426
Less: Adjusted retained earnings of 2016	43,828,729
Distributable earnings of 2016	1,185,318,371
Minus: Shareholders' bonus (cash dividend of NT\$0.6 per share)	178,848,648
Undistributed earnings at the end of the period	1,006,469,723
<p>Cash dividends distributed in this period shall be calculated to the nearest New Taiwan Dollar.</p> <p>Units less than one dollar shall be removed. Odd quantities less than NT\$1 in the distributed amounts shall be transferred and listed as other incomes of the company, and handled as such.</p>	

Chairperson:



General Manager:



Accounting manager:



Annex 5

Procedure for the Acquisition and Disposal of Assets of China Chemical & Pharmaceutical Co., Ltd.

Approved by Shareholders Meeting on May 28, 2015

Article 1: The Company shall act in compliance to this Procedure when acquiring or disposing of assets, unless otherwise specified by other laws or regulations.

Article 2: This Procedure is stipulated according to Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 3: The following provides the scope for “assets” as mentioned in this Procedure:

1. Investments that include stocks, government bonds, corporate bonds, financial bonds, securities of outstanding overseas bonds, depository receipts, call (put) warrants, beneficiary securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment properties, land usage rights, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, and overdue receivables).
6. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
7. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of

new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.

8. Other major assets.

Article 4: Professional appraisers and their officers, certified public accountants (CPA), attorneys, and securities underwriters that provide the Company with appraisal reports, CPA opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 5: The following lists the total amounts of real property and securities that may be acquired by the Company and each subsidiary for a purpose other than business use, and limits of investments on individual securities:

The Company:

1. Total amount of real property acquired for a purpose other than business use may not exceed 20 percent of the net worth of the Company.
2. Total amount of investments in long-term or short-term securities may not exceed 70 percent of the net worth of the Company.
3. Investments in each individual security may not exceed 30 percent of the net worth of the Company.

Each subsidiary:

1. Total amount of real property acquired for a purpose other than business use may not exceed 10 percent of the net worth of the Company.
2. Total amount of investments in long-term or short-term securities may not exceed 70 percent of the net worth of the Company.
3. Investments in each individual security may not exceed 30 percent of the net worth of the Company.

The term “related party or subsidiary”: refer to the definitions provided in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term “net worth” used herein refers to equity belonging to the parent company as stated in the latest asset balance sheet prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 6: Appraisal and operations procedure for the acquisition or disposal of assets

1. Acquisition or disposal of securities

(1) For securities acquired or disposed at a place of business of a securities firm or an OTC market, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, and basis of price references to a responsible organization for final judgment.

(2) For securities acquired or disposed in a place other than an OTC market or places of business of securities firms, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, counterparty of the transaction, price of transfer, terms of payment and collection, and basis of price references to a responsible organization for final judgment.

2. For the acquisition or disposal of other assets, the organization implementing the acquisition or disposition shall submit the reason for the acquisition or disposal, the subject matter thereof, counterparty of the transaction, price of transfer, terms of payment and collection, and basis of price references to a responsible organization for final judgment.

3. Procedures related to the acquisition or disposal of assets shall be implemented according to the provisions related to the internal control system of the Company.

Article 7: Procedure for the resolution of transaction terms

1. Pricing method and reference basis for the acquisition or disposal of assets

(1) Acquisition or disposal of securities:

1. For securities trading at an OTC market or places of business of securities firms, the price shall be determined using the market price of the said securities at the time of the transaction.
 2. For securities acquired or disposed of at places other than an OTC market or places of business of securities firms, the determination of the price shall take into consideration the net value per share, profitability, potential for future development, and reference the transaction price at the time of transaction.
- (2) For the acquisition or disposal of real property and equipment, the pricing method shall be implemented according to price comparison, price negotiations, tendering, or other methods.
2. The authorized organization shall make the final judgment on the acquisition or disposal of assets:
- (1) Acquisition or disposal of securities:
1. An acquisition or disposal of a long-term security investment, where the value of a single transaction or daily quantity is less than NT\$30 million, may be approved by the Chairperson, while generating an analysis report of the unrealized profits or loss of the long-term securities; where the said value exceeds NT\$30 million, the said acquisition or disposal must be reported in a Board of Directors meeting and approved therein before it may be carried out.
 2. An acquisition or disposal of short-term securities of stocks, government bonds, corporate bonds, financial bonds, securities of outstanding overseas bonds, depository receipts, call (put) warrants, beneficiary securities, asset-backed securities, and other short-term idle funds, where the value of a single transaction or daily quantity is less than NT\$30 million shall be approved by the Chairperson, while generating an analysis report of the unrealized profits or loss of the short-term securities; where the said value exceeds NT\$30 million, the

said acquisition or disposal must be reported in a Board of Directors meeting and approved therein before it may be carried out.

(2) Acquisition or disposal of real property and equipment:

1. An acquisition or disposal of a real property with a value equal or less than NT\$50 million shall be submitted to and approved by the Chairperson; where the said value is greater than NT\$50 million, the said acquisition or disposal must be reported in a Board of Directors meeting and approved therein before it may be carried out.
2. An acquisition or disposal of equipment with a value equal or less than NT\$30 million shall be submitted to and approved by the Chairperson; where the said value is greater than NT\$30 million, the said acquisition or disposal must be reported in a Board of Directors meeting and approved therein before it may be carried out.

Article 8: An acquisition or disposal of an asset by the Company shall refer to the type of the said asset and commission experts to generate reports in compliance with the following regulations:

1. For an acquisition or disposal of a real property or equipment by the Company, with the exception of transactions with government, outsourced construction of land owned by the Company, engaging others to build on land rented by the Company, or the acquisition of business-use equipment, where the transaction amount is greater than 20 percent of the Company's paid-in capital or NT\$300 million, an appraisal report from a professional appraiser shall be obtained on the day prior to the date of occurrence of the event and comply with the following regulations:

(1) Where limited price, specified price, or special price must be used as a reference for the transaction price for any special reason, the transaction must be first reported, resolved, and approved by the Board of Directors. The same procedure shall apply for any future change in the terms of transaction.

(2) Where the transaction volume is greater than NT\$100 million, at least two

professional appraisers shall be commissioned to provide appraisal.

(3) Where any of the following is true of the appraisal results of the professional appraiser, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Republic of China Accounting Research and Development Foundation (hereinafter referred to as “ARDF”) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal results and transaction amount is 20 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

(4) No more than 3 months may elapse between the date on which a report is issued by a professional appraiser and the contract execution date. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

2. For an acquisition or disposal of securities by the Company, the latest financial statement of the target company audited and attested, or reviewed, by a CPA shall be acquired prior to the date of occurrence of the event as a reference to evaluate the transaction price; where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, a CPA shall be contacted to provide opinions regarding the reasonableness of the transaction price prior to the date of occurrence of the event; where a professional report is required by the CPA, refer to the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and act accordingly. Where the marketable securities have a publicly quoted price on

an active market or fulfills the following regulations and conditions, the act of acquisition or disposal may be exempted from the requirement to acquire the financial statement or contact a CPA to express an opinion.

- (1) Securities acquired through cash contribution in an incorporation by promotion or cash contribution of a company.
- (2) Participating in a subscription of securities of a target company where the said securities are issued at face value to implement cash capital increase in accordance with relevant laws.
- (3) Participating in a subscription of investment in other enterprises of securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase.
- (4) Trading of securities of listed companies or emerging stocks at the Taiwan Securities Exchange or places of business of securities firms.
- (5) Government bonds or bonds under repurchase or resale agreements.
- (6) Overseas and domestic funds.
- (7) Stocks of TWSE or TPEx listed companies acquired or disposed of in accordance with the TWSE or TPEx regulations governing the purchase or auctions of securities of listed companies.
- (8) Participating in stock subscriptions of a public company implementing cash capital increase, provided that the securities acquired are not part of the privately placed securities.
- (9) Subscription to a fund before the establishment of the fund in accordance with Article 11 paragraph 1 of the Securities Investment Trust and Consulting Act and regulations provided in the Jin-Guan-Zheng-Tou-Zi Public Order No. 0990042831 from FSC on September 3, 2010.
- (10) Subscription or repurchase of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-

related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

3. For acquisition or disposal of assets by the Company through court auction procedures, evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
4. For an acquisition or disposal of memberships or intangible assets by the Company where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million, with the exception of transactions with government, a CPA shall be contacted to provide opinions regarding the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall act according to the Statement of Auditing Standards No. 20 published by the ARDF.

Article 8-1: Transaction amount calculations in paragraphs 1, 2, 4 of the preceding article shall be implemented in accordance with the regulations of Article 13, paragraph 2 herein. The term “within the preceding year” shall start with the date of occurrence of the current transaction and retroactively calculated to the preceding year. Portions in the appraisal report from a professional appraiser or CPA opinion acquired in pursuant of the regulations herein need not be counted towards the transaction amount.

Article 9: Related Party Transactions:

1. Where the Company acquires or disposes of assets with a related party, in addition to complying with the regulations of Article 8 and Article 8-1 herein as well as this Article on the resolution process and evaluating the reasonableness of the transaction terms, where the transaction amount is 10 percent or more of the Company's total assets, then regulations of the previous section on acquiring an appraisal report issued by a professional appraiser or CPA opinion shall apply.

Calculations of the “transaction amount” referred in the preceding paragraph shall be implemented according to the regulations of Article 8-1 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. Where the Company acquires or disposes of real property with a related party, or acquires or disposes of assets other than real property with a related party, and the transaction amount is equal or more than 20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million, with the exception of trading of government bonds or bonds under repurchase or resale agreements, subscription or redemption of money market funds, the Company must submit the following information to a Board of Directors meeting and acquire approval therein and recognized by the supervisors before the Company may proceed with the signing of a transaction contract and make the payment:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance to the regulations of paragraphs 3, 4, 5, and 6 of this Article.
- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and the relationship between the original trading counterparty to the company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained pursuant to the preceding article.
- (7) Restrictive covenants and other important stipulations of the transaction.

Transaction amount calculations in the preceding paragraph shall be implemented in accordance with the regulations of Article 13, paragraph 2. The term "within the preceding year" shall start with the date of occurrence of the current transaction and retroactively calculated to the preceding year. Items duly reported to and approved in the Board of Directors meeting and recognized by the

supervisors in accordance with the regulations of this procedure need not be counted toward the transaction amount.

For the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Board of Directors may, pursuant to Article 7, paragraph 2, authorize the Chairperson to make a decision when the transaction is within a certain amount and have the decision subsequently reported in the next Board of Directors meeting for ratification.

Where the Company has established independent directors pursuant to the Securities and Exchange Act, where issues have been reported to the Board of Directors meeting for deliberation in pursuant to regulations of paragraph 2 of this Article, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Where the Company has established an audit committee in accordance with the Securities and Exchange Act, items that shall be recognized by supervisors pursuant to the regulations of paragraph 2 of this Article shall first gain consent from at least half of the total members of the audit committee and submit to the Board of Directors meeting for resolution, with regulations of paragraphs 7 and 8 of Article 14 applying *mutatis mutandis*.

3. When acquiring a real property from a related party the reasonableness of the transaction costs shall be appraised using the following means (where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with any one of the following means):

(1) Based upon the transaction price of the related party plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property, provided the said necessary interest is no higher than the maximum non-financial industry lending rate announced by

the Ministry of Finance.

- (2) Total appraised loan value from a financial institution where the related party has previously created a mortgage on the property as security for a loan from a financial institution; provided, the actual cumulative amount loaned by the financial institution is 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan is 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
4. When acquiring real property from a related party, in addition to appraising the cost of the real property pursuant to the regulations of the preceding paragraph, a CPA shall also be engaged to check the appraisal and render a specific opinion.
5. When acquiring a real property from a related party and one of the following circumstances exists, the regulations of the preceding two paragraphs need not apply, but the acquisition shall still be conducted in accordance with the regulations of paragraph 2 herein:
 - (1) The related party acquired the real property through inheritance or as a gift.
 - (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property on land that is either owned or rented by the Company.
6. When acquiring real property from a related party, where an appraisal has been carried out pursuant to paragraph 3 of this Article and where the results of said appraisal are lower than the transaction price, the acquisition shall be conducted in accordance with the regulations of paragraph 7. However, where the following circumstances are true, objective evidence has been submitted, and specific reasonableness opinions have been obtained from a professional appraiser and CPA, this restriction need not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the construction cost of the related party plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring parcel, where the land area and transaction terms are similar after evaluations of reasonable price discrepancies among floors or parcels in accordance with standard property market practices.
 3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after evaluations of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (2) Where evidence is provided for an acquisition of real property from a related party that the terms of the transaction are similar to the terms and land area of a completed transaction in a neighboring parcel with an unrelated party within the preceding year.
- (3) The completed transaction in a neighboring parcel mentioned in (1) and (2) refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. The

similar land area mentioned in (1) and (2) in principle refers to completed transactions by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction. “Within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property.

7. When acquiring real property from a related party, where an appraisal has been carried pursuant to paragraphs 3, 4, 5, and 6 of this Article and where the results of said appraisal are lower than the transaction price, the following shall be implemented:

(1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost. The said reserve may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the amount of special reserve set aside under Article 41, paragraph 1 of the Securities and Exchange Act shall be in proportion to the shareholding ratio of the public company in the other company. A special reserve has been set aside pursuant to the preceding regulation may only be utilized when an asset purchased at premium has a recognized loss on decline in market value, or the asset has been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or other evidence confirming no unreasonableness of the said utilization, and where the FSC has given consent.

(2) Supervisors shall act according to Article 218 of the Company Act.

(3) The status of activities described in (1) and (2) shall be reported to the Board of Shareholders. Details of the transaction shall be disclosed in the annual report and prospectus.

Where the Company obtains real property from a related party, it shall also comply with the preceding (1), (2), and (3) if there is other evidence indicating that the transaction does not comply with standard business conventions.

Article 10: Acquisition or disposal of memberships or intangible assets or claims of financial institutions

1. An acquisition or disposal of a memberships or intangible assets with a value of less than NT\$15 million shall be submitted to and approved by the Chairperson; where the said value is greater than NT\$15 million, the said acquisition or disposal must also be reported in a Board of Directors meeting and approved therein before it may be carried out.
2. By principle, the Company does not engage in the acquisition or disposal of claims of financial institutions. Where the Company intends to pursue transactions of claims of financial institutions in the future, the transaction shall be reported in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.

Article 11: Engaging in derivatives trading:

By principle, the Company does not engage in the trading of derivatives. Where the Company intends to conduct trading of derivatives in the future, the transaction shall be reported in a Board of Directors meeting for approval before the Company re-stipulates the evaluation and operations procedure of the transaction.

Article 12: Mergers and consolidations, demergers, acquisitions, and assignment of shares

1. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.
2. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to a merger, demerger, or acquisition prior to the shareholders' meeting and include the report and the expert opinion referred to in the preceding paragraph within the shareholders' meeting notifications to be sent to the shareholders to be used as a reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another law exempts the

Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of quorum, insufficient votes, or other legal restrictions, or where the proposal is rejected by the shareholders' meeting, the said companies shall immediately explain publicly the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

3. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan to other parties prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
4. With the exceptions of the following circumstances, the share exchange ratio or acquisition price may not be arbitrarily altered, and the Company shall stipulate circumstances permitting the said alteration within a contract for the merger, demerger, acquisition, or transfer of shares:
 - (1) Implementation of cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, or issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - (2) Disposition of major assets and other actions that affect the company's financial operations.
 - (3) Incidence of major disasters, major change in technology, or other events that affect the stockholders' equity or share price of the company.
 - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares repurchases treasury stock according to law.
 - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

- (6) Other terms/conditions, already publicly disclosed, stipulated by the contract for permitting alteration.
5. The contract for participating in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the participants, and shall record the following matters:
- (1) Handling of breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously repurchased by any company that is extinguished in a merger or that is demerged.
 - (3) The legally permitted amount of treasury stock participating companies may repurchase after the record date for the calculation of share exchange ratio, and the principles for handling thereof.
 - (4) The method for handling changes in the number of participating entities or companies.
 - (5) Preliminary progress schedule for the plan, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated shareholders' meeting if the plan is not completed within the period prescribed within the schedule, and relevant handling procedures.
6. After public disclosure of the information, if any company participating in a merger, demerger, acquisition, or transfer of shares the Company is a party to intend further to carry out another merger, demerger, acquisition, or transfer of shares with another company, any procedure or legal action already completed for the original merger, demerger, acquisition, or transfer of shares shall be carried out anew, with exceptions for cases where the number of participating companies decreases, and where the shareholders' meeting is resolved to authorize the Board of Directors to alter the limits of authority, the Company shall be exempted from re-convening of shareholders' meeting to generate another resolution.
7. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-

public company and abide by the provisions of paragraphs 3, 6, and 10 of this Article.

8. A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders' meeting on the same day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another law provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the same day of the transaction, unless another law provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of shares, a company listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- (1) Basic personnel information: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
 - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the signing of a contract, and the convening of a board of directors meeting.
 - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
9. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for future reference through the prescribed format or the Internet information system.

10. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, a company so listed or traded shall sign an agreement with such company, and the latter shall abide by the provisions of paragraphs 8 and 9.

Article 13: Public disclosure of information:

1. Where the following circumstances apply for an acquisition or disposal of assets, the Company shall, by referring to the nature of the matter and complying with the specified format, publicly disclose the relevant information on an information disclosure website specified by the FSC within 2 days commencing immediately from the date of occurrence of the event:

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property with a related party, and the transaction amount is equal or more than 20 percent of the Company's paid-in capital, 20 percent of the Company's total assets, or NT\$300 million. Provided, this requirement shall not apply to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (4) Any transaction of assets, disposition of claims of financial institutions, or Mainland China area investments other than any of those referred to in the three preceding subparagraphs, and where the amount of the transaction is equal or more than 20 percent of the Company's paid-in capital or NT\$300 million. This restriction, however, does not apply for the following circumstances:
 1. Trading of government bonds.
 2. Trading of bonds under repurchase or resale agreements, or

subscription or redemption of domestic money market funds.

3. Where the type of asset acquired or disposed is business-use equipment and the trading counterparty is not a related party, and the transaction volume is also not more than NT\$500 million.
 4. Where real property is acquired by engaging others to build on land owned by the Company, engaging others to build on land rented by the Company, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sales, and where the transaction amount is less than NT\$500 million (the basis of calculation shall be the investment that the company expects to invest).
2. The aforementioned transaction amount shall be calculated using the following methods.
- (1) The amount of every transaction.
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - (3) The cumulative transaction amount of real property acquisitions and disposals (acquisitions and disposals shall be cumulated separately) within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the event of current transaction. Items duly announced in accordance with the regulations herein need not be counted toward the transaction amount.

"Date of occurrence of the event" shall, by principle, refer to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolution, or other date that can confirm the trading counterparty and monetary amount of the transaction,

whichever date is earlier. However, for an investment requiring the approval of a competent authority, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month to implement public disclosure.
4. Where corrections must be made for errors or omissions in items to be disclosed according to the relevant regulations, all items shall be again publicly disclosed in their entirety.
5. For the acquisition or disposal of assets, relevant contracts, meeting minutes, log books, appraisal reports, and opinions of the CPA, attorney, and securities underwriter shall be retained at the Company for a period of at least 5 years unless another law states otherwise.
6. Where any of the following circumstances occurs with respect to a transaction that the Company has publicly disclosed in accordance with the regulations, public disclosure of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a related contract signed for the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to contents of the original public disclosure.

Article 14: Additional provisions

1. For matters of acquisition or disposal of assets to be publicly disclosed pursuant to the regulations of Article 13 herein by subsidiaries of the Company that are not domestic public companies, the public disclosure shall be implemented by

the Company. The standards, on the requirement for making public disclosures by subsidiaries, of 20 percent of paid-in capital or 10 percent of the total assets shall be based upon the paid-in capital or total assets of the Company.

For provisions herein concerned with 10 percent of total assets, the calculations shall be made using the total assets stated within the latest individual or separate financial report prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

In the case of a company whose shares have no par value or a par value other than NT\$10, for provisions herein concerned with transaction amounts of 20 percent of paid-in capital, 10 percent of equity attributable to owners of the parent shall be substituted.

2. Where a subsidiary invested in by the Company acquires or disposes of assets, the subsidiary shall stipulate a Procedure for the Acquisition and Disposal of Assets according to the provisions herein and submit the Procedure to the board of directors of the subsidiary for passage before submitting it to its supervisors and report it to the board of shareholders to obtain consent thereof. The same shall apply to revisions of the Procedure. The Company shall supervise the state of acquisition or disposal of assets of its subsidiaries. The said supervision and management shall be based upon relevant regulations of the Company and the provisions of the Procedure for the Acquisition and Disposal of Assets of various subsidiaries.
3. Personnel who violates this procedure and relevant laws and regulations, the Company may refer to the severity of the violation and issue a warning or a demerit, demote, suspend, reduce wages, or pursue other forms of penalties. The matter shall also be used as an item for internal review.
4. Matters not covered by this procedure shall be implemented according to relevant statutory regulations and relevant regulations of the Company. Where a competent authority amends an issued letter or order on the Regulations Governing the Acquisition and Disposal of Assets, the Company shall comply with the regulations

of the new official letter or order.

5. This procedure shall enter into force upon approval by the Board of Directors, and shall be issued to each supervisor and submitted to the Board of Shareholders for consent. The same shall apply for revisions of this procedure. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. Where the Company has established independent directors pursuant to the Securities and Exchange Act, where issues have been reported to the Board of Directors meeting for deliberation, the opinions of each independent director shall be taken into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
6. Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the total members of the audit committee and submitted to the Board of Directors for resolution.
7. Where any matter in any of the preceding paragraphs fail to be approved by at least half of the entire membership of the audit committee, the matter may proceed with the approval of at least two-thirds of the total members of the Board of Directors. The resolution of the audit committee shall be recorded in detail within the Board of Directors meeting minutes.
8. "Entire membership of the audit committee" as used in paragraph 6 and "entire membership of the Board of Directors" as used in the preceding paragraph shall be calculated as the number of members actually in office.

China Chemical & Pharmaceutical Co., Ltd.

Endorsement and Guarantee Operations Procedure

Approved by Shareholders Meeting on May 28, 2015

I. Purpose

To strengthen the financial management for the making endorsements and guarantees and reduce business risks, this Operations Procedure has been established in accordance with Article 36-1 of the Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. The Company shall refer to this Operations Procedure to provide endorsements or guarantees to other parties.

II. Scope

Endorsements and guarantees referred to within this Operations Procedure include:

1. Financing endorsements and guarantees:

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

2. Customs duty endorsement or guarantee: an endorsement or guarantee for the Company or other company with respect to customs duty matters.

3. Other endorsement or guarantee: any endorsement or guarantee beyond the scope of the preceding two paragraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property shall also comply with this Operations Procedure.

III. Entity for whom the endorsement or guarantee is made

The Company may make an endorsement or guarantee to the following companies:

1. A company with which the Company does business.
2. A company in which the Company directly or indirectly holds more than 50 percent of the voting shares.

3. A company that directly or indirectly holds more than 50 percent of the voting shares of the Company.

Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements or guarantees to each other. The amount of the endorsement or guarantee, however, may not exceed 10 percent of the net worth of the Company. Provided, this restriction shall not apply to endorsements and guarantees made between companies where the Company holds, directly and indirectly, 100% of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual endorsements or guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements or guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements or guarantees may be made free from the restrictions of the preceding two paragraphs.

Capital contribution as stated in the preceding paragraph refers to capital contribution directly made by the Company or by a company in which the Company holds 100% of the voting shares.

IV. Limits of the endorsement or guarantee

The aggregate amount of endorsements and guarantees made by the Company to external parties may not exceed 50 percent of the net worth stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA; the amount of endorsements and guarantees made to a single entity may not exceed 30 percent of the net worth stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA. The aggregate amount of endorsements and guarantees made by the Company and its subsidiaries to external parties may not exceed 50 percent of the net worth stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA; the amount of endorsements and guarantees made to a single entity may not exceed 30 percent of the net worth stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA. For a company with business dealings with the Company, the amount of a single endorsement or guarantee may not

exceed purchases or sales, whichever is higher, that the Company has made with the said company in the most recent year or in the same year up to the date where the said endorsement or guarantee is made. The Company and its subsidiaries may stipulate that where the aggregate amount of endorsements and guarantees reach 50 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA, an explanation of the necessity and reasonableness thereof shall be given at a shareholders' meeting.

The term "net worth" used herein refers to equity belonging to the parent company as stated in the asset balance sheet prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

V. Hierarchy of decision-making authority and delegation thereof

1. Where the Company implements endorsements and guarantees, the matter shall be provided with signed approval according to the provisions of point VI herein, and shall be resolved and approved by the Board of Directors before the matter may proceed. However, to meet time limit requirements, the Board of Directors may delegate the Chairperson to first decide upon the matter, provided that the matter complies with the provisions of point IV on the 50% limit of aggregate endorsements and guarantees to external parties and 30% limit of endorsements and guarantees for any single entity. The decision shall subsequently be submitted to the next Board of Directors meeting for ratification and submitted to the Board of Shareholders for reference.
2. Where endorsements and guarantees provided by the Company exceed the limits of endorsements and guarantees stipulated in point IV for business requirements, then the matter must be first submitted to the Board of Directors for resolution and at least half of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsements and guarantees before the matter may proceed. Further, this Procedure shall be revised and the matter shall be submitted to the Board of Shareholders for ratification. Where the Board of Shareholders dissents, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
3. Before making any endorsement and guarantee pursuant to point III, paragraph 2 to a

subsidiary in which the Company holds, directly and indirectly, 90% or more of the voting shares, the matter shall be submitted to the Board of Directors of the Company for resolution before the matter proceeds any further. Provided, this restriction shall not apply to endorsements and guarantees made between companies where the Company holds, directly and indirectly, 100% of the voting shares.

Where the Company has established the position of independent director, when the Company makes endorsements and guarantees for others, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.

VI. Procedure for making endorsements and guarantees

1. When making an endorsement or guarantee, the financial affairs unit shall, on the basis of an application of an entity for which the endorsement or guarantee is made, review every item to ensure that the qualifications of the entity and the amount of the endorsement or guarantee are compliant to the rules of this procedure, and shall analyze the operations, finances, and credit status of the target of the endorsement or guarantee to assess the risk of the endorsement or guarantee, retain relevant records, and, where necessary, acquire a collateral. Once descriptions of the details, causes, and results of risk assessments of an endorsement or guarantee are signed and submitted to the Chairperson for approval, the matter shall then be submitted to the Board of Directors for deliberation and passage before proceeding. Where the endorsement or guarantee is within an authorized limit, the Chairperson shall, on the basis of the credit standing and financial condition of the entity for which the endorsement or guarantee is made, make a direct decision for approval of the endorsement or guarantee. The matter shall be subsequently reported in the next Board of Directors meeting for ratification.
2. The financial affairs unit shall establish a log book for endorsements and guarantees. Where an endorsement or guarantee has been consented to by the Board of Directors or approved by the Chairperson, a seal provided by an official chop shall be applied according to the relevant regulations. The matter to be endorsed or guaranteed, the name of the company guaranteed, results of risk assessments, amount of the endorsement or guarantee, the date of

passage by the Board of Directors or approval by the Chairperson, the date of the endorsement or guarantee, and the conditions and date for terminating the endorsement or guarantee shall be truthfully recorded for future reference. Any relevant negotiable instrument, agreement, or other documents shall be photocopied and properly retained.

3. The financial affairs unit shall generate details on the occurrence and cancellation of any endorsement or guarantee that occur every month, and shall evaluate and recognize contingent loss for the endorsement or guarantee, and shall disclose information of the endorsement or guarantee within the financial report and provide the CPA with relevant information.
4. Where an entity for which the endorsement or guarantee previously found to be compliant to the provisions of point III is later found to be nonconforming, or where the amount of the endorsement or guarantee exceeds the stipulated limit due to changes to the basis of the calculations thereof, or where the net worth of the entity revealed in the latest financial statement audited and attested, or reviewed, by a CPA is less than one half of the paid-in capital, the amount of endorsement or guarantee made to the entity or the portion exceeding the limit shall either be discharged upon expiration of the contractually stipulated duration or be completely discharged within a period stipulated within a plan stipulated by the financial affairs unit and approved by the Chairperson. A relevant improvement plan shall be submitted to each supervisor and the improvements shall be completed according to the planned duration. Where an endorsement or guarantee is made to a subsidiary with a net worth less than one half of the paid-in capital, and where the shares of the subsidiary has no par value or a par value other than NT\$10, the sum of the paid-in capital shall be calculated according to the provisions of the fourth subparagraph in the preceding paragraph, and shall be the result of the sum of the capital stock and capital reserve minus the distributed premium.
5. Prior to the expiration date of an endorsement or guarantee, the financial affairs unit shall actively notify the company guaranteed to recover promissory notes retained at a bank or claims institution, and terminate any titles relevant to the endorsement or guarantee.
6. Where the Company has established an audit committee in accordance with the Securities and

Exchange Act, the improvement plan stated in paragraph 4 herein shall be submitted to the audit committee and be completed within the planned duration to improve internal controls within the Company.

VII. Internal controls

1. Auditors shall audit and verify the Endorsement and Guarantee Operations Procedure and its implementation on a quarterly basis, at a minimum, and generate documented records. In the event of a material violation, a written notice shall be submitted to each supervisor.
2. When the Company makes an endorsement or guarantee, the Company shall act according to the relevant regulations. Where any material violation is found, the manager and personnel in charge shall be penalized according to the circumstances of the violation.

VIII. Safekeeping of the official chop and procedures

1. The Company shall apply for a corporate chop with the Ministry of Economic Affairs and use the chop as the dedicated chop for endorsements or guarantees. The chop shall be kept in the custody and used by a designated person approved by the Board of Directors.
2. Where an endorsement or guarantee has been resolved upon by the Board of Directors or approved by the Chairperson, the financial affairs unit shall complete relevant records within the Chop Usage Register. The financial affairs supervisor shall approve the approval records, contract of the endorsement or guarantee, promissory notes, and other documents that must be affixed with the official chop before the documents may be sent to the custodian of the chop to affix the official chop.
3. Before the custodian of the chop affixes the official chop, he or she shall verify the presence of approval records, whether the Chop Usage Register has been approved by the financial affairs supervisor, and whether the documents applied to be affixed with the official chop are consistent. After affixing the official chop, a note shall be made on the Chop Usage Register.
4. When guaranteeing an overseas company, the letter of guarantee issued by the Company shall be signed by the Chairperson or General Manager authorized by the Board of Directors.

IX. Public disclosure procedure

1. Prior to the 10th day of every month, the financial affairs unit shall enter the balance of endorsements and guarantees made by the Company and its subsidiaries into an information

reporting website designated by the Financial Supervisory Commission (FSC).

2. In addition to monthly public disclosures on the balance of endorsements and guarantees, where endorsements and guarantees made by the Company and its subsidiaries reaches any one of the following standards, the financial affairs unit shall provide a public disclosure within 2 days commencing immediately from the date of occurrence of the event:
 - (1) The aggregate amount of endorsements and guarantees made by the Company and its subsidiaries reach 50 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.
 - (2) The amount of endorsements and guarantees made by the Company and its subsidiaries to a single entity reach 20 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.
 - (3) The amount of endorsements and guarantees made by the Company and its subsidiaries to a single entity reach NT\$10 million or more and the aggregate amount of endorsements and guarantees, long-term investments, and financial loans provided for the said entity reach 30 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.
 - (4) The amount of new endorsements and guarantees made by the Company and its subsidiaries reach NT\$30 million or more and reach 5 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.

Where a subsidiary of the Company is not a domestic public company, matters that shall be publicly disclosed by the said subsidiary according to the fourth subparagraph of the preceding paragraph shall be publicly disclosed by the Company.

“Date of occurrence of the event” mentioned in the preceding paragraph shall refer to the date of contract signing, date of payment, date of Board of Directors resolution, or other date that can confirm the trading counterparty and monetary amount of the transaction, whichever date is earlier.

X. Supplemental provisions

1. A subsidiary of the Company shall refer to this Operations Procedure and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies to stipulate an Endorsement and Guarantee Operations Procedure. The Operations Procedure shall be submitted to the board of directors of the subsidiary for passage before submitting it to its supervisors and report it to the board of shareholders to obtain consent thereof. The same shall apply to revisions of the Operations Procedure. Where a subsidiary intends to make an endorsement or guarantee to other parties, the endorsement or guarantee shall be made according to the Endorsement and Guarantee Operations Procedure of the subsidiary. The Company shall supervise the state of endorsements or guarantees of its subsidiaries. The said supervision and management shall be based upon relevant regulations of the Company and the provisions of the Endorsement and Guarantee Operations Procedure of various subsidiaries.

A subsidiary shall report, before the 5th day of each month, to the Company the sum, target, and duration of endorsements and guarantees made. For endorsements or guarantees that meet the standards stipulated in point IX, subparagraph 2, the subsidiary shall immediately notify the Company to facilitate public disclosure.

2. Endorsements and guarantees of the Company and its subsidiaries made during the business year and other relevant matters shall be reported during the next annual shareholders' meeting for reference.
3. Matters not covered by this Operations Procedure shall be implemented according to relevant statutory regulations and relevant regulations of the Company.
4. Once the stipulation of this Operations Procedure is passed by a resolution of the Board of Directors, the matter shall be submitted to the Board of Shareholders for approval before enforcement. Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to each supervisor and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof.

Where the Company has established an independent director, when submitting this Operation Procedure to the Board of Directors for deliberation in pursuant to the provisions in the preceding paragraph, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.

Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the total members of the audit committee and submitted to the Board of Directors for resolution.

China Chemical & Pharmaceutical Co., Ltd.
Operations Procedure for Loaning of Funds to Other Parties

Approved by Shareholders Meeting on May 28, 2015

1. This Operations Procedure has been established in accordance with Article 36-1 of the Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. The Company shall refer to this Operations Procedure to provide loans to other parties. However, where another law provides otherwise, the regulations thereof shall apply.
2. Entities receiving financial loans to other parties made by the Company
The Company shall act according to the regulations of Article 15 of the Company Act and may not provide loans to shareholders or other parties unless any of the following circumstances is true for the capital of the Company:
 - (1) A company or firm with which the Company does business.
 - (2) A company or firm where short-term financing is necessary. The term “short-term” refers to either one year or one operating cycle, whichever is longer.
3. Reason and necessity for providing financial loans to others
Where a financial loan is provided as a result of business dealings between the Company and other companies or firms, the loan shall comply with the regulations of Procedure 4, paragraph 4, subparagraph 1. The following lists the circumstances permitting a financial loan made as required by short-term financing:
 - (1) The Company holds 50 percent or more of the shares of a company that needs short-term financing due to business requirements.
 - (2) Another company or firm that needs short-term financing for purchasing materials and supplies or business operations.
 - (3) Other parties approved by the Board of Directors of the Company for receiving financial loans.
4. Total amounts of financial loans and borrowing limits for a single entity

The aggregate amount of financial loans to other parties made by the Company may not reach 30 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA. The following stipulates the limits and corresponding reason for the loan for each type of borrower:

1. For a company or firm with business dealings with the Company, the amount of a single financial loan may not exceed purchases or sales, whichever is higher, that the Company has made with the said company in the most recent year or in the same year up to the date where the said financial loan is made.
2. For a company or firm requiring short-term financing, the amount of a single financial loan may not reach 15 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.

A financial loan between overseas companies in which the Company holds, directly and indirectly, 100 percent of the voting shares will not be subject to the restrictions of paragraph 1 and Procedure 6, paragraph 1. However, the financial loan must comply with the regulations herein and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and limits and durations of the financial loan must be stipulated with the Operations Procedure for Loaning of Funds to Other Parties.

The term “net worth” used herein refers to equity belonging to the parent company as stated in the asset balance sheet prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. Operations Procedure for the Loaning of Funds

(1) Credit investigation

Where the Company carries out matters related to a financial loan, the company or firm applying for the said financial loan shall submit relevant financial information and describe the amount, duration, purpose of the loan, the provisions of a security, and other related matters in a written format.

After receiving the application, the responsible unit of the Company shall investigate and evaluate whether the entity for whom the loan is made have direct (or indirect) business transactions with the Company, the financial condition of the business operated by the entity,

the debt-paying ability and credit, and profitability of the entity, and the purpose of the financial loan, and generate a report after considering the aggregate amount of financial loans provided by the Company and the degree of influence to the operational conditions of the Company.

(2) Security

Where the Company carries out matters related to a financial loan, a security promissory note of equal value shall be acquired. Chattel or real property mortgage shall be established where necessary. For the aforementioned security for the claims, where a debtor provides a guarantee from an individual or a company with adequate resources and credit to substitute the provision of the security, the Board of Directors may provide the loans after thorough consideration of the credit report generated by the responsible unit. Where a company serves as a guarantor, the regulations of the said company shall be reviewed to ensure that provisions governing the said guarantee have been established.

(3) Scope of authorization

Where the Company provides financial loans to another party, upon completion of credit investigation by an authorized organization of the Company, the matter shall be submitted to the General Manager for approval and then submitted to the Board of Directors for resolution and approval before the matter may proceed. The decision of the matter may not be delegated to any other party. Where the Company has established the position of independent director, full considerations must be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.

For a financial loan made between the Company and its parent or its subsidiaries, or between the subsidiaries of the Company, the matter shall be submitted to the Board of Directors for resolution in pursuant to the provisions in the preceding paragraph. Additionally, the Chairperson may be authorized to provide the financial loan in multiple installments or revolving credit line for a period of not more than one (1) year to the same entity receiving the loan, provided that the amount of the loan is within a certain limit resolved upon by the Board of Directors.

The “certain limit” as mentioned in the preceding paragraph shall be compliant to the provisions of Procedure 4, paragraph 2 herein. The authorized limit of financial loans provided by the Company or its subsidiaries to a single entity may not exceed 10 percent of the net worth stated in the entity’s latest financial statement.

6. Duration of loans and calculation of interest

The duration of each financial loan shall be a maximum of one (1) year or one (1) operating cycle (whichever is longer), commencing from the day the loan is provided.

The interest rate for a financial loan may not be lower than the highest interest rate for short-term loans that the Company acquires from a financial institution. When the Company calculates and receives financial loan interests, the interest shall be, by principle, paid once every month. In the event of special circumstances, necessary adjustments may be made based on the actual state of things after obtaining consent from the Board of Directors.

7. Subsequent measures for control and management of loans, and procedures for handling delinquent claims

After the loans have been provided, the financial, business, and relevant credit statuses of the borrower and guarantor shall be regularly reviewed. If a pledge has been provided for the loan, special care shall be provided towards changes in value of the pledge. For material changes, the Chairperson shall be notified immediately, and adequate handling shall be implemented according to the instructions given.

For loan repayments at or before the expiration of the loan duration, the interests receivable shall be calculated first. Once the interests receivable and the principal amount of the loan have both been fully repaid, the loan check shall be canceled and returned to the borrower, and any relevant mortgage shall be canceled.

The borrower shall complete payments for the principal and the interest upon the expiration of the loan duration. For violations, the Company may initiate legal actions and pursue loan recovery with the security or guarantor provided.

8. Internal controls:

Where the Company carries out matters related to the provisions of financial loans, a reference book shall be established and periodically updated. The borrower, amount, date of approval by the

Board of Directors, date of loans provision, and other items to be thoroughly reviewed shall be registered and recorded for future reference.

Internal auditors of the Company shall audit and verify the Operations Procedure for Loaning of Funds to Other Parties and its implementation on a quarterly basis, at a minimum, and generate documented records. In the event of a material violation, a written notice shall be submitted to each supervisor. Where any material violation is found, the manager and personnel in charge shall be penalized according to the circumstances of the violation.

If, as a result of a change in circumstances, the loans and balance of the Company exceeds a limit, the Company shall adopt an improvement plan, submit the plan to each supervisor, and complete the improvements within the planned duration to improve the internal controls of the Company.

Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the improvement plan stated in the preceding paragraph shall be submitted to the audit committee and be completed within the planned duration to improve internal controls within the Company.

9. Information disclosure:

(1) Prior to the 10th day of every month, the Company shall enter the balance of financial loans of the Company and its subsidiaries into an information reporting website designated by the FSC.

(2) Where any of the following circumstances occurs with respect to the balance of financial loans provided by the Company, relevant information shall be entered into the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

(1) The balance of financial loans to other parties made by the Company and its subsidiaries reach 20 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.

(2) The balance of financial loans to other parties made by the Company and its subsidiaries to a single entity reach 10 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and

attested, or reviewed, by a CPA.

- (3) The amount of new financial loans made by the Company and its subsidiaries reach NT\$10 million or more and reach 2 percent or more of the net worth of the Company stated in the latest financial statement that have been audited and attested, or reviewed, by a CPA.

- (3) Where a subsidiary of the Company is not a domestic public company, matters that shall be publicly disclosed by the said subsidiary according to subparagraph 3 of the preceding paragraph shall be publicly disclosed by the Company. For the calculation of net worth percentages for the balance of financial loans made by the subsidiary in the preceding paragraph, the net worth of the Company shall be used to calculate the said balance.

- (4) The Company shall evaluate the statuses of the financial loans provided and provide adequate allowances for bad debts. The financial report shall suitably disclose information on the financial loans and provide to the CPA relevant information necessary for the audit process.

“Date of occurrence of the event” mentioned in the preceding paragraph shall refer to the date of contract signing, date of payment, date of Board of Directors resolution, or other date that can confirm the trading counterparty and monetary amount of the transaction, whichever date is earlier.

10. A subsidiary of the Company shall refer to this Operations Procedure and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies to stipulate an Operations Procedure for the Loaning of Funds. The Operations Procedure shall be submitted to the board of directors of the subsidiary for passage before submitting it to its supervisors and report it to the board of shareholders to obtain consent thereof. The same shall apply to revisions of the Operations Procedure. Provision of financial loans to other parties shall be based upon the provisions of the Operations Procedure for Loaning of Funds to Other Parties of the Company. The Company shall supervise the state of financial loans to other parties of its subsidiaries. The said supervision and management shall be based upon relevant regulations of the Company and the provisions of the Operations Procedure for the Loaning of Funds of various subsidiaries.

A subsidiary shall report, before the 5th day of each month, to the Company the sum, target, and duration of financial loans provided. For financial loans that meet the standards stipulated in point

IX, subparagraph 2 herein, the subsidiary shall immediately notify the Company to facilitate public disclosure.

11. Once this Operations Procedure is passed by the Board of Directors, the matter shall be submitted to the Board of Shareholders for approval before enforcement. Where any director expresses dissent and the dissent is contained in the minutes or a written statement, the Company shall compile and submit the dissenting opinions to each supervisor and then submit the said opinions to the Board of Shareholders for deliberation. The same requirements shall apply to the revisions hereof.

Where the Company has established an independent director, when submitting this Operation Procedure to the Board of Directors for deliberation in pursuant to the provisions in the preceding paragraph, full considerations must be given to each independent directors' opinions. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of the Board of Directors' meeting.

Where the Company has established an audit committee in accordance with the Securities and Exchange Act, the stipulation or revision of this procedure shall be approved by at least half of the total members of the audit committee and submitted to the Board of Directors for resolution.

Annex 8

Articles of Incorporation of China Chemical & Pharmaceutical Co., Ltd.

Chapter 1 - General Principles

Article 1: The Company is organized according to the provisions of the Company Act and is named China Chemical & Pharmaceutical Co., Ltd., hereinafter referred to as “CCPC”.

Article 2: The following lists the businesses engaged by the Company:

1. Manufacture and trade of pharmaceuticals, agricultural and industrial chemicals, veterinary drugs, home hygiene and sanitation supplies.
2. Manufacture and trade of personal hygiene and healthcare products (including medicinal shampoo, therapeutic face wash, face washing soap, medicinal soap, healthcare shower foam, toothpaste, tooth brush, mouth rinse, dental floss, and breath spray), cosmetics, medicinal cosmetics, and skin care products (wrinkle removing cream, spots removing cream, moisturizing cream and lotions, and toning lotion).
3. Manufacture and trade of food industry products and feed
4. Sales of the aforementioned products and relevant machinery and equipment, and storefront retail services.
5. Distribution and trade of chemical fertilizers.
6. Subcontracting services.
7. Import-export business of related matters stipulated in the preceding paragraphs.
8. Import and trade of medical instruments.
9. Commissioning of construction companies and construction firms for the rental and sales of office buildings.
10. Publication of various magazines and books.
11. Any business not prohibited or restricted by business laws in addition to the permitted businesses (ZZ99999).

Article 3: Where the Company is a liable shareholder of another company, the total amount of investments made to the other company may be exempt from the restrictions stipulated in Article 13 of the Company Act where the amount may not exceed 40% of the total

authorized capital.

Article 4: The Company may provide endorsements or guarantees to other parties.

Article 5: The Company is located in Taipei. Where necessary, branch offices and plants may be established throughout Taiwan and overseas. The establishment and cancellation of the said branches shall be resolved by the Board of Directors.

Article 6: Public disclosures made by the Company shall be implemented in pursuant to the provisions of Article 28 of the Company Act.

Chapter 2 - Shares

Article 7: The total authorized capital of the Company is three billion New Taiwan Dollars (NT\$3,000,000,000) and is divided into three hundred million shares (300,000,000 shares). The value of each share is ten New Taiwan Dollars (NT\$10). The Board of Directors has been authorized to release unissued shares of the Company across multiple issuances.

Article 8: Shares of the Company shall be inscribed and provided with the signatures or seals of at least 3 directors, and shall be certified by a competent authority or an issuance and registration institution approved by the said competent authority before the shares may be issued. Alternatively, the Company may issue shares in the form of non-physical scrips, or issue physical scrips according to the aggregate total of issued shares, and contact a centralized securities depository enterprise and institute to register and provide custody of the shares.

Article 9: The handling of shares by the Company shall be based upon relevant statutory regulations released by a competent authority in matters related to securities.

Article 10: Any assignment or transfer of shares shall be suspended within a period of 60 days prior to the date of every annual shareholders' meeting, or within a period of 30 days prior to the date of every provisional shareholders' meeting, or within a period of 5 days before the standard date where the Company has decided to distribute share dividends or bonuses or other forms of benefits.

Chapter 3 - Shareholders' meeting

Article 11: Shareholders' meetings of the Company are divided into 2 categories of annual shareholders'

meetings and provisional shareholders' meetings:

A. Annual shareholders' meetings shall be convened by the Board of Directors within 6 months after the end of every fiscal year.

B. Provisional shareholders' meetings shall be convened when necessary according to law.

Article 12: Every shareholder shall be notified 30 days before the convening date of an annual shareholders' meeting, or 15 days before the convening date of a provisional shareholders' meeting.

Article 13: For resolutions of the shareholders' meeting, unless otherwise specified by the Company Act, the meeting must be attended by shareholders who represent at least one-half of the total number of shares, and shall be passed by at least half of the voting rights exercised by the shareholders present at the meeting.

Every share of the Company held by shareholders provide one unit of voting power, but where circumstances described in Article 179 of the Company Act applies, the share shall have no voting power.

Article 14: Where a shareholder is unable to attend a shareholders' meeting, he or she may authorize a proxy to attend in his or her stead. However, a proxy letter granting the power of attorney to the proxy must be printed and issued by the Company must be submitted 5 days prior to the date of the shareholders' meeting, and the said letter must clearly state the scope of authorization and be furnished with a signature or seal. Each shareholder may issue one power of attorney form and grant the power of attorney to one individual. With the exception of trust enterprises or an agency approved by a competent authority of securities to handle share-related affairs, where a person acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3 percent of the total voting power of the distributed shares, and any excessive portion of the voting power shall not be counted. Where multiple proxy letters were received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous proxy letter is made in the letter received later.

Article 15: Where the shareholders' meeting is convened by the Board of Directors, the meeting shall be presided by the Chairperson. Where the Chairperson is on leave or, for any cause, unable to exercise his or her power or authority, the Chairperson shall appoint a director to serve as his or her proxy, or the directors shall elect from among themselves a member to act as the proxy.

Where the shareholders' meeting is convened by a person having the convening right who is not a member of the Board of Directors, the chairperson of the meeting shall be the said person having the convening right. Where there are two or more persons having the convening right, the chairperson of the meeting shall be elected from the said persons.

The shareholders' meeting shall be implemented according to the rules governing the proceedings of meetings of the Company.

Article 16: Resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting, which shall bear the signature or seal of the chairperson of the meeting. The meeting minutes shall be issued to all shareholders within 20 days after the closure of the meeting. The generation and distribution of meeting minutes may be performed digitally.

The issuance of meeting minutes as required in the preceding paragraph may be carried out by a public disclosure on the Market Observation Post System (MOPS).

Chapter 4 - Board of Directors and Audit Committee

Article 17: The Company has established 5 to 7 directors. Since the 23rd session of the Board of Directors meeting, the election of directors shall be based upon a candidate nomination system, where candidates elected by the shareholders shall serve as the director. Directors serve 3 year terms and may be eligible for re-election. In the event that no election of new directors is effected after expiration of the term office of existing directors, the said term of office of outgoing directors shall be extended until the time new directors have been elected and assumed their office. The total amount of inscribed shares held by all directors may not be less than the proportion stipulated by a competent authority in charge of securities affairs.

For the number of directors in the preceding paragraph, the number of independent directors may not be less than 3, and may not be less than one-fifth of the total number of directors. Professional qualifications, limits on shareholding and concurrent duties in other companies, verification of independence, method of nomination, and other matters of compliance shall be implemented according to relevant laws.

Article 18: Since the 23rd Board of Directors, the Company has established an audit committee composed of all independent directors. The audit committee may not have less than 3 members, of which, one shall serve as the convener, and at least one member shall be a professional in either accounting or finances.

Article 19: The Company shall establish a remuneration committee according to law and other functional committees. The organizational charter of each committee shall be resolved by the Board of Directors.

Article 20: The Board of Directors is authorized to resolve the remuneration of the Chairperson and the directors by considering the level of engagement in the operations of the Company and the value of contributions thereby, and shall take into account the general pay levels in the industry.

Article 21: The Company may purchase liability insurance for all directors within their term of office for liability claims defined by law while exercising their duties within the prescribed scope to reduce and distribute risks of serious damage caused to the Company or its shareholders as a result of the mistakes or negligence on a director.

Article 22: The following describes the duties of the Board of Directors:

1. Convene the shareholders' meeting and resolve on relevant matters.
2. Review and finalize business directives, research and design production plans, and audit job progresses.
3. Review and finalize revisions to key chapters and sections and approvals to termination thereof.
4. Audit budgets and finalized statements, and business reports, and propose earnings distribution plans.
5. Review and finalize revisions of material contracts and approvals to termination

thereof.

6. Approve the internal organization of branch offices and the establishment, expansion, reduction, and changes thereof.
7. Determine the appointment, discharge, promotion, or re-assignment of key personnel, and approve regulations governing bonuses, penalties, resignation, and pensions of said personnel.
8. Propose and discuss increases or decreases in capital and partnerships in external investments.
9. Resolve upon cases assigned by the Chairperson.
10. Review and resolve upon cases proposed by the General Manager.
11. Exercise other duties and authorities as defined by other laws or granted by the Board of Shareholders.

Article 23: To convene a Board of Directors meeting, the reason for the meeting shall be clearly indicated and all directors shall be notified 7 days prior to the meeting. Meetings may also be convened at any time for any emergency. Notifications for the convening of Board of Directors meetings may be issued by fax or e-mail.

Article 24: The Board of Directors shall elect a Chairperson from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The Chairperson shall represent the Company in presiding over all businesses.

Article 25: The Chairperson shall serve as the chair of the Board of Directors and convene the Board of Directors meetings, and represent the Company in dealings with external parties. Where the Chairperson is on leave or, for any cause, unable to exercise his or her power or authority, the Chairperson shall appoint a director to serve as his or her proxy, or the directors shall elect from among themselves a member to act as the proxy. Where a director is unable to attend a Board of Directors meeting for any reason, the director may issue a proxy letter, stating therein the scope of authority with reference to the matters for convening the meeting, and appoint another director to serve as his or her proxy. However, a proxy may only accept the appointment of one director only.

Article 26: Unless otherwise provided for in the Company Act, resolutions of the Board of Directors

shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Chapter 5 - Employees

Article 27: The Company may appoint managerial officers. Appointment, discharge, and remuneration of the said managerial officers shall be implemented pursuant to the provisions of Article 29 of the Company Act.

Article 28: The General Manager shall uphold the commands of the Chairperson and manage all affairs of the Company using the authorities granted by the Board of Directors. The Vice President(s) shall support the management activities of the General Manager.

Article 29: The Company may employ a number of legal attorneys, accountants, and other consultants, all of whom shall be employed and appointed by the Board of Directors.

Article 30: Detailed provisions on the procedures of internal organizations of the Company and factory management regulations shall all be stipulated by the Board of Directors.

Chapter 6 - Calculating the earnings distribution

Article 31: The period from January 1 to December 31 of the same year shall be regarded as a fiscal year of the Company. Upon the termination of every fiscal year, the Board of Directors shall generate various statements and reports listed in the following and submit the said statements and reports to the annual shareholders' meeting for verification:

1. Business report.
2. Financial statement.
3. Earnings distribution or loss make-up proposal.

Article 32: If the Company makes a profit for a fiscal year, 1 to 15 percent shall be set aside for the employees' compensation, and no higher than 3 percent shall be set aside for the remuneration of the directors. Where the Company has outstanding accumulated losses, a sum shall be set aside to make up for the said losses. Targets qualified to receive the employees' compensation mentioned in the preceding paragraph may include employees of the Company who meet certain criteria, the said criteria shall be stipulated by the Board of Directors.

Article 32-1: The Company is engaged in an industry with a volatile environment in a phase of steady

growth of corporate life cycles. Considering future capital requirements and long-term financial planning of the Company, and to satisfy the shareholders' need for cash inflow, the Company shall distribute any surplus available after each annual final statement in the following priority:

1. Payment of taxes required by law.
2. Compensate outstanding losses from previous years.
3. Set aside 10 percent for the legal reserve.
4. Special reserves that must be set aside according to the relevant regulations.
5. Where a surplus is still available, the cumulative undistributed earnings of the previous year may be used as distributable earnings. However, a portion may be retained according to the state of business before distributing the earnings as shareholders' bonus, wherein the cash dividend may not be lower than 50 percent of the shareholders' bonus. However, where cash dividend is less than NT\$0.1 per share, the earnings may be distributed as stock dividend instead.

Chapter 7 - Supplementary Provisions

Article 33: Matters not covered by these Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws.

Article 34: These Articles of Incorporation was stipulated on February 8, 1952. The 1st revision was made on November 1, 1953..., the 45th revision was made on May 27, 2016. With the exception of old articles of articles 23, 23-1, 23-2, and 24 prior to the 44th revision and Articles 17, 18, 23, 31, and 32 changed in this revision, which will enter into force after the 23rd Board of Directors, the remaining articles shall enter into force after the shareholders' meeting.

Annex 9

China Chemical & Pharmaceutical Co., Ltd. Rules of Procedure for Shareholders' Meetings

Revised at the annual shareholders' meeting on May 27, 2016

Article 1: To build an excellent governance system for shareholders' meetings, comprehensive monitoring functions, and strengthen management mechanisms in the Company, these Rules were stipulated in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2: The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation or articles of incorporation, shall be as provided in these Rules.

Article 3: Unless otherwise provided by law or regulation, the Company's shareholders' meeting shall be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders' meeting notice, proxy letters, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of an annual shareholders' meeting or before 15 days before the date of a provisional shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before the date of the annual shareholders' meeting or 15 days before the date of the provisional shareholders' meeting. In addition, 15 days before the date of the shareholders' meeting, the Company shall prepare the shareholders' meeting agenda and supplemental meeting materials and make them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the venue of the shareholders' meeting.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the Articles of Incorporation, the dissolution, merger,

or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances provided in any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders' meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Proposals submitted by shareholders are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the annual shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal handling results, and shall list in the meeting notice the proposals that conform to the provisions of this article. For shareholders' proposals not included within the agenda of the meeting, the Board of Directors shall explain the reasons of exclusion at the shareholders' meeting.

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing a proxy letter issued by the Company and state within the letter the scope of authorization given to the proxy.

A shareholder may issue only one proxy letter and appoint only one individual as the proxy for any given shareholders' meeting, and shall deliver the proxy letter to the Company 5 days before the date of the shareholders' meeting. Where multiple proxy letters were received from

one shareholder, the first one received by the Company shall prevail. However, if an explicit statement to revoke the previous proxy letter is made in the letter received later, this restriction shall not apply.

After a proxy letter has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice to cancel the proxy letter shall be submitted to the Company before 2 days before the date of the shareholders' meeting. If the notice of cancellation is submitted after that time, votes cast at the meeting by the authorized proxy shall prevail.

Article 5: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6: The Company shall furnish attending shareholders or authorized proxy thereof (hereinafter referred to as "the shareholders") with an attendance book to sign. The attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

The shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy letters shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting.

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson. When the Chairperson is on leave or for any reason unable to

exercise the powers of the Chairperson, the Vice Chairperson shall act in place of the Chairperson; if there is no Vice Chairperson or the Vice Chairperson also is on leave or for any reason unable to exercise the powers of the Vice Chairperson, the Chairperson shall appoint one of the Managing Directors to act as the chair. Where no Managing Director has been appointed, one of the directors shall be appointed to act as the chair. Where the Chairperson has not made such an appointment, the Managing Directors or the directors shall select from among themselves one person to serve as the chair.

It is advisable for a shareholders' meeting convened by the Board of Directors to be chaired, in person, by the Chairperson and attended by a majority of the directors; at least one member from each of the functional committees shall also attend the said meeting on behalf of the said committees. The attendance shall be recorded in the meeting minutes. Where the shareholders' meeting is convened by a person having the convening right who is not a member of the Board of Directors, the chairperson of the meeting shall be the said person having the convening right. Where there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among the said persons.

The Company may appoint its attorneys, CPA, or related persons retained by it to attend a shareholders' meeting.

Article 8: The Company shall make an audio and video recording of the entire length of the meeting procedure. The said recording shall be retained for at least one (1) year. If a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9: Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement of the meeting, provided that no more

than two such postponements, for a combined length of no more than an hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chairperson shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chairperson declares the meeting adjourned in violation of the rules of procedure, other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures and by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chairperson shall allow ample opportunity during the meeting for explanation and discussion of the proposals and of the amendments or extraordinary motions put forward by the shareholders. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the closure of the discussion and call for the vote.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance number), and account name. The order of sequence for the shareholders' speech shall be determined by the chairperson. An attending shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject specified on the speaker's slip, the spoken content shall prevail. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If a shareholder's speech violates the rules or exceeds the scope of the proposal, the chairperson may terminate the speech. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder who has the floor; the chairperson shall stop any violation. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal. After an attending shareholder has spoken, the chairperson may respond in person or appoint some relevant personnel to respond.

Article 12: Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

Where a shareholder is an interested party in relation to a matter on the agenda, and where there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders. With the exception of trust enterprises or an agency approved by a competent

authority of securities to handle share-related affairs, where a person acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3 percent of the total voting power of the distributed shares, and any excessive portion of the voting power shall not be counted.

Article 13: A shareholder shall be entitled to one vote for each share held, except for shares that are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1, paragraph 1 of the Company Act regarding companies that shall adopt electronic voting: When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method by which voting rights are exercised shall be specified in the shareholders' meeting notice.

A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the said shareholder is also deemed to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders' meeting. Where duplicate declarations of intent are delivered, the one received earliest shall prevail. However, when a declaration is made to cancel the earlier declaration of intent, this restriction shall not apply.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised shall be, by the same means by which the voting rights were exercised, made known to the Company 2 business

days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. Where a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in Articles of Incorporation of the Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. The resulting number of votes for and against each proposal and the number of abstentions shall be entered into the Market Observation Post System (MOPS).

When there is an amendment or an alternative to the same proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which the matters will be put to a vote. When any one among the matters is passed, the other matters of the same proposal shall be deemed as rejected and no further voting shall be required.

Vote monitoring and vote counting personnel for the voting on a proposal shall be appointed by the chairperson. All vote monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting shall be conducted at the place of the shareholders' meeting. Results of the voting shall be announced on-site at the meeting and recorded.

Article 14: An election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the affirmative voting rights by which they were elected. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring

personnel and kept in proper custody for at least one (1) year. If a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the period of the custody shall last until the conclusion of the litigation.

Article 15: Resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting. The meeting minutes shall be issued to all shareholders within 20 days after the closure of the meeting. The generation and distribution of meeting minutes may be performed digitally. The issuance of meeting minutes as required in the preceding paragraph may be carried out by the Company via a public disclosure on the Market Observation Post System (MOPS). The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 16: On the day of a shareholders' meeting, this Corporation shall compile in a prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall provide a clear disclosure of the same at the place of the shareholders' meeting. If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under regulations of Taiwan Stock Exchange Corporation (or Taipei Exchange), the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17: Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor".

Where the Company has prepared public address equipment at the place of a shareholders' meeting, if a shareholder attempts to speak through a device other than the said equipment prepared by the Company, the chairperson may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chairperson's correction, obstructing the proceedings of the meeting and refusing to heed calls to stop, the chairperson may direct the proctors or security personnel to escort the shareholder out of the meeting.

Article 18: When a meeting is in progress, the chairperson may announce a recess based on time considerations. If a force majeure event occurs, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19: These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Annex 10

Details of Company Share Ownerships of Directors and Supervisors of China Chemical &
Pharmaceutical Co., Ltd.

March 28, 2017

Title	Name	Shares held
Chairperson	Wang, Hsun-Sheng	14,703,937 shares
Director	Wang, Hsun-Hui	13,781,817 shares
Director	Cheng, Hsi-I	1,162,091 shares
Director	Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung	10,432,912 shares
Independent director	Pei, Min-Li	0 shares
Independent director	Chen, Hung-Shou	0 shares
Independent director	Wu, Su-Huan	0 shares
Total shares held by the entire	—	40,080,757 shares
Proportion of shares held by the entire Board of Directors as part of the total number of issued shares	—	13.45%

Note: 1. The current and actual total authorized capital of the Company amounts to NT\$2,980,810,800.

The total number of issued shares amount to 298,081,080 shares, each share having a par value of NT\$10.

2. According to the provisions of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, standards of share ownership of the entire Board of Directors of the Company:

Proportion of the shares to be owned by the Board of Directors: 5.0322%

Minimum number of shares to be owned by the entirety of the Board of Directors:
12,000,000 shares

Annex 11

Issuance of bonus shares and its impacts to the business performance, earnings per share, and shareholders' return of investments of the Company

Year			2017
Item			(estimated)
Actual paid-in capital at the preliminary period			NT\$2,980,811,000
Shares allotment for this year Payout status	Cash dividend per share		NT\$0.6
	Shares allotted per share for recapitalization of retained earnings		0 shares
	Shares allotted per share for recapitalization of capital reserve		0 shares
Business performance Change	Operating profit		Not applicable
	Increase (decrease) in operating profit compared to the same period last year		
	Net income after tax		
	Increase (decrease) in net income after tax compared to the same period last year		
	Earnings per share		
	Increase (decrease) in earnings per share compared to the same period last year		
	Yearly average of return of investments (reciprocal of the yearly average of the price-to-earnings ratio)		
Pro forma price-to-earnings ratio for earnings per share	If the entire sum of the recapitalization of retained earnings is issued as cash dividend	Pro forma earnings per share	(Note)
		Pro forma yearly average of return of investments	
	If recapitalization of capital reserve is not implemented	Pro forma earnings per share	
		Pro forma yearly average of return of investments	
	If recapitalization of capital reserve is not implemented, and recapitalization of retained earnings is issued in the form of cash dividen	Pro forma earnings per share	
		Pro forma yearly average of return of investments	

Note: According to statutory regulations, the Company does not need to disclose its 2017 financial forecasts, and is therefore not applicable.



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