

Stock Code: 1701



CHINA CHEMICAL & PHARMACEUTICAL CO., LTD.

2018 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

May 29, 2018

<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 2018 Annual Shareholders' Meeting

Time: 9:00 a.m., Tuesday, May 29, 2018

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) 2017 Business Report of the Company.
 - (2) Report by audit committee on the review of 2017 Final Statement.
 - (3) Distribution of the directors' remuneration and employees' compensation in 2017.
 - (4) The amended "Procedural Rules for Meetings of the Board of Directors"
 - (5) Other reports.
5. Matters for ratifications:
 - (1) 2017 Business Report and Final Statement of the Company.
 - (2) 2017 surplus distribution.
6. Questions and Motions:
7. Adjournment

Reports

1. For the 2017 Business Report of the Company, please refer to page 7 to 11 of Annex I of this manual.
2. Report by the audit committee on the review of the final statement of 2017:

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 2017 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,

2018 Annual Shareholders' Meeting of the China Chemical & Pharmaceutical Co., Ltd.



Chairperson of the audit committee: Min-li Pei

March 26, 2018

3. Report on the distribution of directors' remuneration and employees' compensation of the Company for 2017:

Description: (1) A proposal on distributing NT\$21,750,000 toward employees' compensation and NT\$3,300,000 for the directors' remuneration in 2017, all sums given wholly in cash, has been passed by a resolution of the Company's Board of Directors meeting on March 13, 2018.

(2) The aforementioned resolved sums and the amount of money in the recognized expenses of 2017 are free from discrepancies.

4. The amended "Procedural Rules for Meetings of the Board of Directors":

Note: (1) The proposal was approved unanimously during the Board of Directors meetings on November 13, 2017 and March 13, 2018.

(2) For the comparative index of the amended Procedural Rules for Meetings of the Board of Directors, please refer to page 37 to 38 of Appendix V of this manual.

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 2017 Business Report and Final Statement of the Company.

Description: (1) The Company's Business Report and 2017 Financial Statement and consolidated financial statement have been approved through a resolution of the Company's Board of Directors meeting on March 13, 2018. The approved documents were submitted to the audit committee. The audit committee, upon completion of the review, generated an audit committee's review report.

- (2) For the 2017 Business Report, CPA review and approval report, financial statement, and consolidated financial statement, please refer to pages 12 to 35 of Annex II and Annex III

Resolution:

Raised by the Board of Directors

2. Case: Approval of the 2017 surplus distribution

Description: (1) Please approve the Company's 2017 surplus distribution (per the disposition of net earnings provided in page 36 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.
- (3) In the future, if the company buys back shares, transfers or retires treasury shares, or changes convertible bonds to ordinary shares, or

employees purchase ordinary shares with stock option certificates that result in changes in the number of outstanding shares which will result in fluctuations in dividend distribution rates among shareholders , the shareholders are be requested to authorize the Board of Directors to act suitably

Resolution:

Raised by the Board of Directors

Annex

Business Report

I. 2017 Business Result:

(I) 2017 Business plan execution and achievement

The revenue of the parent company was NTD2,895.81 million, which was approximately 1.4% lower than the 2016 revenue of NTD2,936.95 million. The consolidated revenue of the company was NTD6,244.8 million for the year ending December 31, 2017, which was approximately 8.02% growth compared with the consolidated revenue of NTD5,781.41 million for the year ending December 31, 2016. The net profit after tax for the current period was NTD306.49 million, which was approximately 2.98% lower than the NTD315.89 million for the year ending December 31, 2016.

(II) Comparison of the financial revenues and expenditures

(1) Comparison of the 2017 and 2016 financial revenues and expenditures (Parent company only)

Unit: NTD thousand; %

Item	2017	2016	Increase (decrease) in amount	Increase (decrease) %
Net operating income	2,895,813	2,936,959	-41,146	-1.40
Net gross margin	666,183	661,461	4,722	0.71
Gross profit rate %	23%	23%	0	-
Operating expenses	455,465	464,359	-8,894	-1.92
Operating profit	210,718	197,102	13,616	6.91
Non-operating income and expense	135,873	158,363	-22,490	-14.20
Net income (loss) before tax	346,591	355,465	-8,874	-2.50
Net income (loss) after tax	310,739	313,209	-2,470	-0.79

(2) Comparison of the 2017 and 2016 consolidated financial revenues and expenditures

Unit: NTD thousand; %

Item	2017	2016	Increase (decrease) in amount	Increase (decrease) %
Net operating income	6,244,807	5,781,413	463,394	8.02
Net gross margin	1,922,597	1,689,008	233,589	13.83
Gross profit rate %	30.79%	29.21%	1.58	-
Operating expenses	1,645,296	1,402,573	242,723	17.31
Operating profit	277,301	286,435	-9,134	-3.19
Non-operating income and expense	88,762	100,969	-12,207	-12.09
Net income (loss) before tax	366,063	387,404	-21,341	-5.51
Net income (loss) after tax	306,494	315,894	-9,400	-2.98

(III) Budget implementation:

(1) Budget attainment in 2017 (Parent company only)

Unit: NTD thousand; %

Item	Actual amount	Annual budget	Attainment %
Operating revenue	2,895,813	3,080,545	94
Operating cost	2,266,947	2,331,223	97.24
Gross profit	666,183	749,322	88.9
Operating expenses	455,465	566,036	80.47
Operating profit	210,718	183,286	114.97
Net income (loss) before tax	346,591	369,745	93.74

(2) Budget attainment in 2017 (Consolidated)

Unit: NTD thousand; %

Item	Actual amount	Annual budget	Attainment %
Operating revenue	6,244,807	6,288,448	99.31
Operating cost	4,322,210	4,219,963	102.42
Gross profit	1,922,597	2,068,484	92.95
Operating expenses	1,645,296	1,729,959	95.11
Operating profit	277,301	338,525	81.91
Net income (loss) before tax	366,063	402,642	90.92

(IV) 2017 consolidated and individual financial revenue and profitability analysis

1. Financial income and expense:

(1) Financial revenue and expenditure (Parent company only)

Unit: NTD thousand

Item	Amount
Operating revenue	2,895,813
Gross profit	666,183
Operating profit	210,718
Interest revenue	4,564
Interest expenses	33,281
Net income (loss) before tax	346,591
Net income (loss) after tax	310,739
Earnings per share	1.05

(2) Financial revenue and expenditure (Consolidated)

Item	Amount
Operating revenue	6,244,807
Gross profit	1,922,597
Operating profit	277,301
Interest revenue	21,408
Interest expenses	35,819
Net income (loss) before tax	366,063
Net income (loss) after tax	306,494
Earnings per share	1.05

2. Profitability analysis:

(1) Profitability analysis (Parent company only) Unit: %

Item	Proportion
ROA	3.51
ROE	5.59
Operating profit based on the percentage of paid-in capital ratio	7.07
Net income before tax based on the percentage of paid-in capital ratio	11.63
Net profit rate	10.73
Earnings per share	1.05
Earnings per share - adjusted retrospectively	1.05

(2) Profitability analysis (Consolidated) Unit: %

Item	Proportion
ROA	3.03
ROE	5.47
Operating profit based on the percentage of paid-in capital ratio	9.3
Net income before tax based on the percentage of paid-in capital ratio	12.28
Net profit rate	4.91
Earnings per share	1.05
Earnings per share - adjusted retrospectively	1.05

(V) 2017 Research & Development :

1. The 2017 research and development achievements are as follows:

(1) New product registration and listing applications

7 human drug applications and 3 animal drug applications.

(2) New product license certification

7 human drug license certifications and 7 animal drug license certifications

(3) Exported human drug license certification.

4 overseas human drug license applications and 2 certifications

2. Developing the API nanoparticles production platform.

Developing the API nanoparticles production platform, which includes the development of an API nanoparticle stabilizer, the production of API nanoparticles, and the establishment of an API nanoparticle production analytical method

3. Developing the Liposome drug technology platform

Developing the Liposome technology platform, which includes the establishment of a Liposome stabilizer, production, analytical method, and related regulations.

4. Developing an integration platform for new product development

Collaborate on a new product development and integration platform with the operation, materials, and production departments to continuously introduce new products for the domestic market.

5. Joint force in new drug research and development

A joint force in niche-based new drug research and development with industry, academia, and research communities. Among the efforts, an mTOR anti-cancer drug is in the first phase of clinical trials. The re-authorization of the DPP4 Inhibitor diabetes drug to CSPC Pharmaceutical Group Limited has received Phase II clinical trials approval in China.

(VI) Future development strategy:

1. In order to adjust the health insurance drug price adjustments and the Patent Link Implementation Policy, in addition to focusing on accelerating the sales scale of self-developed and manufactured products, we will also strive to obtain distribution rights for original patented drugs and international generic drugs. We will also strengthen the capabilities and scale of the sales platforms through deepening relations with hospitals, clinics, and pharmacy channels.
2. Accelerate the development or introduction of special drugs such as rare diseases, cancer drugs, biological agents, etc. in conjunction with domestic and foreign partnerships.
3. Actively develop or introduce out-of-pocket health care products and increase revenues from the out-of-pocket market.
4. In the aspect of oversea subsidiaries, the establishment and the development of a third terminal department, the introduction of new products into the market, and the implementation of existing product consistency evaluations in accordance with the consistency assessment policy can be expected to gradually improve the Company's public affairs department, promptly react to the government policies, and develop necessary response measures.

Chairperson:



General Manager:



Accounting Manager:



Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17003499

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

Audit opinions

We have audited the accompanying individual balance sheet of China Chemical & Pharmaceutical Co., Ltd. and subsidiary as of December 31, 2017 and 2016, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Chemical & Pharmaceutical Co., Ltd. as of December 31, 2017 and 2016, and the results of its operation and cash flows for the year then ended in conformity to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

The basis for opinions

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of the "independent auditor's responsibility for individual financial statements." We are independent of China Chemical & Pharmaceutical Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Chemical & Pharmaceutical Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the other auditor's report, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual statements of China Chemical & Pharmaceutical Co., Ltd. in 2017. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. in 2017 included:

Allowance for sales and discount and liability reserve for sales returns

Description of the matter

Certain subsidiaries held by China Chemical Pharmaceuticals Co. (CCPC, the Company) recognize the sales returns and allowances, which are estimated mainly based on historical product sales. Because the estimate of sales returns and allowances is based on historical sales and has high estimation uncertainties, it was deemed to be a key audit matter.

Audit response

Our key audit procedures regarding the sales returns and allowances recognized by certain subsidiaries (record investments using the equity method) held by CCPC are as follows:

1. Assess the Company's policy regarding estimation of sales returns and allowances based on the understanding of the Company's operations and the nature of its industry.
2. Sample the sales returns and allowances and verify them against the expected return rate to make sure they are consistent with the established policies.

Evaluation on inventory

Description of the matter

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

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

Audit response

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

1. Evaluate the accounting policy of allowances for losses of investment impairment based on the understanding of the Company's operations and the nature of its industry.
2. Testing whether the market price of the net realizable value is consistent with the Company's stated policy and sampling whether the selling price and net realizable value of the individual inventory items are priced correctly.

3. Obtaining details of outdated inventories identified by the management, reviewing relevant information, and verifying the accounting records.

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

The companies invested in recorded using the equity method which have been included in the individual financial statements of CCPC are not audited by us, but are audited by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies included in the consolidated financial statements are based on the audit reports of other CPAs. The amounts of investments using the equity method for the aforementioned companies were NTD480,002 thousand and NTD496,248 thousand as of December 31, 2017 and 2016, respectively, which accounted for 5.41% and 5.63% of the total assets, respectively. The consolidated profit and loss recognized by the aforementioned companies were NTD62,695 thousand and NTD76,338 thousand for the year ending December 31, 2017 and 2016, respectively, which accounted for 21.77% and 40.20%, respectively, of the consolidated profit and loss.

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

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

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of CCP.

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

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor’s report. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

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

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

We also provide those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,

(related safeguards).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. of 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

PricewaterhouseCoopers, Taiwan

March 26, 2018

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, 2017 and 2016

Unit : NT\$ Thousands

Assets		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Assets					
1100	Cash and Cash Equivalents	\$ 73,804	1	\$ 75,486	1
1150	Notes Receivable	90,545	1	78,927	1
1160	Notes Receivable – Related Parties	158,535	2	163,749	2
1170	Accounts Receivable	216,074	2	171,567	2
1180	Accounts Receivable – Related Parties	853,643	10	842,154	10
1200	Other Receivables	26,255	-	26,896	-
1210	Other Receivables –Related Parties	182,678	2	199,758	2
1220	Current Income Tax Assets	-	-	18,482	-
130X	Inventories	794,545	9	761,334	9
1410	Prepayments	51,119	1	25,907	-
1470	Other Assets- Current	4,943	-	4,748	-
11XX	Total Current Assets	<u>2,452,141</u>	<u>28</u>	<u>2,369,008</u>	<u>27</u>
Non-Current assets					
1523	Available-for-sale Financial Assets- Noncurrent	282,836	3	252,205	3
1543	Financial Assets at Cost - Noncurrent	30,710	-	30,710	-
1550	Long-term Investments at Equity	2,528,494	29	2,508,853	29
1600	Property, Plant and Equipment	3,453,753	39	3,538,727	40
1780	Intangible Assets	12,949	-	14,197	-
1840	Deferred Tax Assets	78,772	1	87,966	1
1900	Other Non-current Assets	33,159	-	10,786	-
15XX	Total Non-Current Assets	<u>6,420,673</u>	<u>72</u>	<u>6,443,444</u>	<u>73</u>
1XXX	Total Assets	<u>\$ 8,872,814</u>	<u>100</u>	<u>\$ 8,812,452</u>	<u>100</u>

China Chemical & Pharmaceutical Co., Ltd.
Balance Sheets
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

Liabilities and Shareholders' Equity		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current Liabilities					
2100	Short-term Borrowings	\$ 960,428	11	\$ 950,614	11
2170	Accounts Payable	217,262	3	247,651	3
2180	Accounts Payable- Related Parties	18,331	-	12,199	-
2200	Other Payables	186,097	2	205,339	2
2230	Current Income Tax Liabilities	22,092	-	16,357	-
2250	Provisions— Current	-	-	20,000	-
2300	Other Current Liabilities	2,966	-	2,196	-
21XX	Total Current Liabilities	1,407,176	16	1,454,356	16
Non-Current Liabilities					
2540	Long-term Borrowings	1,679,000	19	1,640,000	19
2570	Deferred Income Tax Liabilities	93,020	1	100,415	1
2600	Other Non-Current Liabilities	130,475	1	165,288	2
25XX	Total Non-Current Liabilities	1,902,495	21	1,905,703	22
2XXX	Total Liabilities	3,309,671	37	3,360,059	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	644,659	7	642,996	7
Retained Earnings					
3310	Legal Reserve	428,920	5	397,599	4
3320	Special Reserve	188,958	2	188,958	2
3350	Unappropriated Retained Earnings	1,319,885	15	1,216,639	14
Other Equity Interest					
3400	Other Interest	27,964	-	53,444	1
3500	Treasury Stock	(28,054)	-	(28,054)	-
3XXX	Total Shareholders' Equity	5,563,143	63	5,452,393	62
Significant Contingent Liability&Unrealized Contractual Arrangement					
Significant Subsequent Events					
3X2X	Total Liabilities & Shareholders' Equity	\$ 8,872,814	100	\$ 8,812,452	100

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Comprehensive Income
January 1 to December 31, 2017 and 2016

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

	Item	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
4000	Operating Revenue	\$ 2,895,813	100	\$ 2,936,959	100
5000	Operating Costs	(2,266,947)	(78)	(2,277,886)	(77)
5900	Gross Profit from Operations	628,866	22	659,073	23
5910	Unrealized Sale Gain	(72,688)	(3)	(110,005)	(4)
5920	Realized Sale Gain	110,005	4	112,393	4
5950	Net Gross Profit from Operations	666,183	23	661,461	23
	Operating Expenses				
6100	Selling Expenses	(89,384)	(3)	(80,820)	(3)
6200	Administrative Expenses	(119,575)	(4)	(125,118)	(4)
6300	Research and Development Expenses	(246,506)	(9)	(258,421)	(9)
6000	Total Operating Expenses	(455,465)	(16)	(464,359)	(16)
6900	Net Operating Income	210,718	7	197,102	7
	Non- Operating Income and Expenses				
7010	Other Revenue	37,433	1	34,011	1
7020	Other Gains and Losses	1,528	-	4,304	-
7050	Finance Cost	(33,280)	(1)	(34,194)	(1)
7070	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method)	130,192	5	154,242	5
7000	Total Non-operating Income and Expenses	135,873	5	158,363	5
7900	Income Before Income Tax	346,591	12	355,465	12
7950	Income tax expense	(35,852)	(1)	(42,256)	(2)
8200	Net Income	\$ 310,739	11	\$ 313,209	10
	Other Comprehensive Income that will be Reclassified to Profit or Loss				
8311	Defined Benefit Plans be Remeasured	(\$ 8,837)	-	(\$ 24,108)	(1)
8330	Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method	10,012	-	(23,820)	-
8349	Defined Benefit Plans be Remeasured	1,502	-	4,099	-
8310	Total Components of Other Comprehensive Income That will be not Reclassified to Profit or Loss	2,677	-	(43,829)	(1)
	Exchange Differences on Translation of Foreign Financial Statements				
8361	Total Components of Other Comprehensive Income That will be not Reclassified to Profit or Loss	(67,858)	(2)	(62,889)	(2)
8362	Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets	30,631	1	(25,265)	(1)
8380	Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit	211	-	(2,024)	-
8399	Income Tax Relating to Components of Other Comprehensive Income	11,536	-	10,691	-
8360	Total Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	(25,480)	(1)	(79,487)	(3)
8300	Other Comprehensive Income(Loss) After Tax	(\$ 22,803)	(1)	(\$ 123,316)	(4)
8500	Total Comprehensive Income	\$ 287,936	10	\$ 189,893	6
	Earnings per Share				
9750	Diluted Earnings Per Share	\$ 1.05		\$ 1.05	

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Changes In Equity
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	C a p i t a l			S u r p l u s			R e t a i n e d		E a r n i n g s	Other Equity	Interest	
	Ordinary	Addition	Treasury	change in	Legal	Special	Unappropri	Exchange	Unrealized			
	Share	al Paid-In	Stock	ownership	Reserve	Reserve	ated	Differences	Gains			
		Capital	Transactions	of a			Retained	on	(Losses) on			
				subsidiary			Earnings	Translation	Available			
									for-sale			
									Financial			
									Assets			
										Treasury	Total	
										Stock	Equity	
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>\$ -</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>	
January 1st to December 31, 2017												
Equity at Beginning Of Period	\$2,980,811	\$ 578,416	\$ 64,580	\$ -	\$ 397,599	\$ 188,958	\$1,216,639	(\$ 542)	\$ 53,986	(\$ 28,054)	\$5,452,393	
Appropriation and Distribution of Retained Earnings of 2016 :												
Legal Reserve	-	-	-	-	31,321	-	(31,321)	-	-	-	-	
Cash Dividends	-	-	-	-	-	-	(178,849)	-	-	-	(178,849)	
Subsidiaries Acquired Cash Dividend Payment of Parent Company	-	-	355	-	-	-	-	-	-	-	355	
change in ownership of a subsidiary	-	-	-	1,308	-	-	-	-	-	-	1,308	
Net Income	-	-	-	-	-	-	310,739	-	-	-	310,739	
Other Comprehensive Income (Loss)	-	-	-	-	-	-	2,677	(56,601)	31,121	-	(22,803)	
Balance, December 31, 2017	<u>\$2,980,811</u>	<u>\$ 578,416</u>	<u>\$ 64,935</u>	<u>\$ 1,308</u>	<u>\$ 428,920</u>	<u>\$ 188,958</u>	<u>\$1,319,885</u>	<u>(\$ 57,143)</u>	<u>\$ 85,107</u>	<u>(\$ 28,054)</u>	<u>\$5,563,143</u>	

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Cash Flows
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows From (Used in) Operating Activities</u>		
Profit (Loss) Before Tax	\$ 346,591	\$ 355,465
Adjustments		
Unrealized Sale Gain	72,689	110,005
Realized Sale Gain	(110,005)	(112,393)
Depreciation expense	171,335	174,524
Amortized Expense	2,890	-
Bad Debts Recognized Revenue	(949)	1,536
Interest Expense	33,280	34,194
Interest Revenue	(4,564)	(4,213)
Dividend Revenue	(10,390)	(9,091)
Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method	(130,192)	(154,242)
Gain on Disposal of Property, Plant and Equipment	(103)	(981)
Notes Receivable (Include Related Parties)	(7,588)	(3,458)
Accounts Receivable (Include Related Parties)	(53,863)	(100,878)
Inventories	(33,211)	(54,258)
Other Receivable	119	(293)
Other Receivable - Related Parties	15,842	(7,035)
Prepayments	(25,407)	7,282
Accounts Payable (Include Related Parties)	(24,256)	40,090
Other Payable(Include Related Parties)	6,941	26,684
Provision – Current	(20,000)	-
Other Current Liabilities	769	(535)
Decrease(Increase) in Net Defined Benefit Liability	(43,264)	(178,904)
Cash Inflow (Outflow) Generated from Operations	<u>186,664</u>	<u>123,499</u>
Interest Received	4,234	4,496
Receive Cash Dividends	121,658	122,710
Interest Paid	(33,724)	(34,504)
Income Taxes Paid	-	(9,190)
Income Taxes Refund	3,202	-
Net Cash Flows from (used in) Operating Activities	<u>282,034</u>	<u>207,011</u>

(Continue)

China Chemical & Pharmaceutical Co., Ltd.
Statements Of Cash Flows
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows From (Used in) Investing Activities</u>		
Decrease(Increase) in Financing Receivable	\$ 2,090	(\$ 22,676)
Purchase of Property, Plant and Equipment	(115,585)	(54,874)
Purchase of Intangible Aassets	(15,745)	-
Disposal of Property, Plant and Equipment	304	2,043
Decrease(Increase) in Refundable Deposits	(705)	(999)
Decrease(Increase) in Investment on Equity-Method	(20,000)	-
Decrease(Increase) in Other Non-current Assets	(4,281)	3,083
Net Cash Flows From (Used in) Investing Activities	(153,922)	(73,423)
<u>Cash flows from (used in) Financing Activities</u>		
Decrease(Increase) In Short-term Borrowings	9,814	(14,793)
Proceeds from Long-term Borrowings	555,000	261,000
Repayment of Long-term Borrowings	(516,000)	(220,000)
Decrease(Increase) in Guarantee Deposits Received	241	(7,947)
Assigned Cash Dividends	(178,849)	(178,849)
Net cash FlowsFrom (Used in) Financing Activities	(129,794)	(160,589)
Net Increase (Decrease) In Cash and Cash Equivalents	(1,682)	(27,001)
Cash and Cash Equivalents at Beginning of Period	75,486	102,487
Cash and Cash Equivalents at End of Period	<u>\$ 73,804</u>	<u>\$ 75,486</u>

Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17004302

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

Audit opinions

We have audited the accompanying individual balance sheet of China Chemical & Pharmaceutical Co., Ltd. and subsidiary (hereafter referred as “the Group”) as of December 31, 2017 and 2016, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion, based our audit results and other CPAs' audit results (please refer to the paragraph on other matters), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the years ended, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China.

The basis for opinions

We conducted our audit in accordance with the “Rules Governing the Examination of Financial Statements by Certified Public Accountants” and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of “independent auditor’s responsibility for consolidated financial statements.” We are independent of China Chemical & Pharmaceutical Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of the Group and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the other auditor’s report, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of the Group in 2017. These matters were

addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of the Group in 2017 included:

Allowance for sales and discount and liability reserve for sales returns

Description of the matter

For the accounting policy of the assessment of sales returns and allowances, please refer to Note 4(26) of consolidated financial report. For critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5(2) of consolidated financial report. For other relevant disclosures, please refer to Note 6(3) and 6(13) of consolidated financial report.

The Group's recognition of sales returns and allowances is estimated based on historical sales. Because the estimate of sales returns and allowances is based on historical sales and has high estimation uncertainties, it was deemed to be a key audit matter.

Audit response

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

1. Assess the accounting policy regarding the estimation of sales returns and allowances based on the understanding of the Group's operation and the nature of its industry.
2. Sample the sales returns and allowances and verify them against the expected return rate to make sure they are consistent with the established policies.

Evaluation on inventory

Description of the matter

For the accounting policy of the assessment of inventory write-downs, please refer to Note 4(12) of consolidated financial report. For critical accounting judgments and key sources of estimation uncertainty please, refer to Note 5(2) of consolidated financial report. For other relevant disclosures, please refer to Note 6(4) of consolidated financial report.

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

the key audit matters.

Audit response

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

1. Evaluating the accounting policy of allowances for losses of inventory impairment based on the understanding of the Group's operations and the nature of its industry.
2. Testing whether the market price of net realizable value is consistent with the Group's stated policy and sampling whether the selling price and net realizable value of the individual inventory items are priced correctly.
3. Obtaining details of outdated inventories identified by the management, reviewing relevant information, and verifying the accounting records.

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

The 2017 and 2016 financial statements of certain subsidiaries of CCPC were not audited by us, but by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies and included in the consolidated financial statements and the relevant disclosures in Note 13 are based on the audit reports of other CPAs. The total assets of those subsidiaries were NTD195,257 thousand and NTD194,095 thousand as of December 31, 2017 and 2016, respectively, which accounted for 1.90% and 1.95% of the consolidated assets, respectively. The operating income was NTD99,543 thousand and NTD163,995 thousand for the year ending December 31, 2017 and 2016, respectively, which accounted for 1.59% and 2.84%, respectively, of the consolidated operating income. In addition, investments using the equity method by CCPC as of December 31, 2017 and 2016 and certain investment companies' information disclosed in Note 13 were evaluated and disclosed in the financial statements based on the audit performed by other CPAs appointed by the respective companies invested in. We did not audit those financial statements. The investments using the equity method were NTD408,165 thousand and NTD416,112 thousand as of December 31, 2017 and 2016, which accounted for 3.97% and 4.18% of the consolidated assets, respectively. The consolidated profits (including the share of affiliates and the profit or loss of joint ventures recognized by the equity method and the share of other comprehensive profit and loss) were NTD62,596 thousand and NTD71,883 thousand for the year ending December 31, 2017 and 2016, respectively, which accounted for 22.06% and 37.53%, respectively, of the combined profits.

Other matters – Individual Financial Report

We have also audited the individual financial statements of the Group for 2017 and 2016, and have expressed modified unqualified opinions on such financial statements.

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

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

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of the Group.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Material misstatement could arise from fraud or errors. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including the disclosures, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with the Group to express an opinion on the consolidated financial statements.

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

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

We also provide those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, (related safeguards).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group of 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

PricewaterhouseCoopers, Taiwan

March 26, 2018

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, 2017 and 2016

Unit : NT\$ Thousands

Assets		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current Assets					
1100	Cash and Cash Equivalents	\$ 763,684	7	\$ 628,746	6
1147	Current Investments in Debt Instrument Without Active Market	3,000	-	12,000	-
1150	Notes Receivable	421,245	4	391,559	4
1160	Notes Receivable – Related Parties	158,535	2	163,749	2
1170	Accounts Receivable	1,311,771	13	1,122,244	11
1180	Accounts Receivable – Related Parties	47,264	-	90,470	1
1200	Other Receivables	31,766	-	32,798	-
1210	Other Receivables –Related Parties	176,154	2	183,022	2
1220	Current Income Tax Assets	-	-	18,512	-
130X	Inventories	1,698,611	17	1,604,663	16
1410	Prepayments	83,486	1	61,452	1
1476	Other Financial Assets- Current	27,916	-	16,472	-
11XX	Total Current Assets	4,723,432	46	4,325,687	43
Non-Current assets					
1523	Available-for-sale Financial Assets- Noncurrent	282,836	3	252,205	3
1543	Financial Assets at Cost - Noncurrent	30,710	-	30,710	-
1550	Long-term Investments at Equity	815,036	8	811,821	8
1600	Property, Plant and Equipment	4,042,123	39	4,162,002	42
1780	Intangible Assets	32,369	-	34,493	-
1840	Deferred Tax Assets	150,288	2	145,637	2
1900	Other Non-current Assets	199,769	2	194,562	2
15XX	Total Non-Current Assets	5,553,131	54	5,631,430	57
1XXX	Total Assets	\$ 10,276,563	100	\$ 9,957,117	100

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Condensed Balance Sheets
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

Liabilities and Shareholders' Equity		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current Liabilities					
2100	Short-term Borrowings	\$ 1,080,428	10	\$ 1,060,620	11
2110	Short-Term Notes and Bills Payable	92,671	1	115,994	1
2150	Notes Payable	127,891	1	82,352	1
2170	Accounts Payable	708,721	7	638,345	6
2200	Other Payables	444,592	4	371,642	4
2230	Current Income Tax Liabilities	47,069	-	27,376	-
2250	Provisions- Current	64,235	1	68,115	1
2300	Other Current Liabilities	71,430	1	64,411	1
21XX	Total Current Liabilities	<u>2,637,037</u>	<u>25</u>	<u>2,428,855</u>	<u>25</u>
Non-Current Liabilities					
2540	Long-term Borrowings	1,679,000	16	1,640,000	16
2570	Deferred Income Tax Liabilities	114,957	1	122,281	1
2600	Other Non-Current Liabilities	241,874	3	267,656	3
25XX	Total Non-Current Liabilities	<u>2,035,831</u>	<u>20</u>	<u>2,029,937</u>	<u>20</u>
2XXX	Total Liabilities	<u>4,672,868</u>	<u>45</u>	<u>4,458,792</u>	<u>45</u>
Equity Attributable to Owners of Parent					
Share Capital					
3110	Ordinary Share	2,980,811	29	2,980,811	30
Capital Surplus					
3200	Capital Surplus	644,659	6	642,996	7
Retained Earnings					
3310	Legal Reserve	428,920	4	397,599	4
3320	Special Reserve	188,958	2	188,958	2
3350	Unappropriated Retained Earnings	1,319,885	13	1,216,639	12
Other Equity Interest					
3400	Other Interest	27,964	-	53,444	-
3500	Treasury Stock	(28,054)	-	(28,054)	-
31XX	Total Equity Attributable to Shareholders of the Parent	<u>5,563,143</u>	<u>54</u>	<u>5,452,393</u>	<u>55</u>
36XX	Noncontrolling Interests	<u>40,552</u>	<u>1</u>	<u>45,932</u>	<u>-</u>
3XXX	Total Shareholders' Equity	<u>5,603,695</u>	<u>55</u>	<u>5,498,325</u>	<u>55</u>
Other Interest					
Treasury Stock					
3X2X	Total Equity Attributable to Shareholders of the Parent	<u>\$ 10,276,563</u>	<u>100</u>	<u>\$ 9,957,117</u>	<u>100</u>

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Comprehensive Income
January 1 to December 31, 2017 and 2016

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

Item	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
4000 Operating Revenue	\$ 6,244,807	100	\$ 5,781,413	100
5000 Operating Costs	(4,322,210)	(69)	(4,092,405)	(71)
5950 Gross Profit from Operations	<u>1,922,597</u>	<u>31</u>	<u>1,689,008</u>	<u>29</u>
Operating Expenses				
6100 Selling Expenses	(1,108,541)	(18)	(889,274)	(15)
6200 Administrative Expenses	(192,453)	(3)	(188,216)	(3)
6300 Research and Development Expenses	(344,302)	(5)	(325,083)	(6)
6000 Total Operating Expenses	<u>(1,645,296)</u>	<u>(26)</u>	<u>(1,402,573)</u>	<u>(24)</u>
6900 Net Operating Income	<u>277,301</u>	<u>5</u>	<u>286,435</u>	<u>5</u>
Non- Operating Income and Expenses				
7010 Other Revenue	45,975	1	47,040	1
7020 Other Gains and Losses	(767)	-	4,613	-
7050 Finance Cost	(35,819)	(1)	(36,038)	(1)
7060 Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method)	<u>79,373</u>	<u>1</u>	<u>85,354</u>	<u>1</u>
7000 Total Non-operating Income and Expenses	<u>88,762</u>	<u>1</u>	<u>100,969</u>	<u>1</u>
7900 Income Before Income Tax	366,063	6	387,404	6
7950 IncomeTax Expense	(59,569)	(1)	(71,510)	(1)
8200 Net Income	<u>\$ 306,494</u>	<u>5</u>	<u>\$ 315,894</u>	<u>5</u>

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Comprehensive Income
January 1 to December 31, 2017 and 2016

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

Item	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Other Comprehensive Income that will be Reclassified to Profit or Loss				
8311 Defined Benefit Plans be Remeasured	(\$ 83)	-	(\$ 45,107)	(1)
8320 Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method	2,842	-	(7,420)	-
8349 Income Tax not Related to Components of Other Comprehensive Income	14	-	7,668	-
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	2,773	-	(44,859)	(1)
8361 Exchange Differences on Translation of Foreign Financial Statements	(67,858)	(1)	(62,889)	(1)
8362 Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets	30,631	1	(25,265)	-
8370 Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit	211	-	(2,024)	-
8399 Income Tax Relating to Components of Other Comprehensive Income	11,536	-	10,691	-
8360 Total Components of Other Comprehensive Income That Will be Reclassified to Profit or Loss	(25,480)	-	(79,487)	(1)
8300 Total Net Comprehensive Profit(Loss) After Tax	(\$ 22,707)	-	(\$ 124,346)	(2)
8500 Total Comprehensive Income	\$ 283,787	5	\$ 191,548	3
Net Income (Losses) Attributable to:				
8610 Shareholders of the Parent	\$ 310,739	5	\$ 313,209	5
8620 Noncontrolling Interests	(\$ 4,245)	-	\$ 2,685	-
Comprehensive Income Attributable to:				
8710 Shareholders of the Parent	\$ 287,936	5	\$ 189,893	3
8720 Noncontrolling Interests	(\$ 4,149)	-	\$ 1,655	-
Earnings per Share				
9750 Diluted Earnings Per Share	\$ 1.05		\$ 1.05	

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	Total Equity Attributable to Owners of Parent												
	Capital		Surplus	Retained Earnings		Other	Equity	Interest				Non-co	
	Ordinary	Additio	Treasury	change	Legal	Special	Unappro	Exchange	Unrealized			ntrollin	Total
	Share	nal Paid-In	Stock Transact	in owners	Reserve	Reserve	riated Retained	Differences	Gains(Loss			g Interest	Equity
		Capital	ions	ship of a			Earnings	on	es)on			s	
				subsidi				Translation	Availablefo				
				ary					r-sale				
									Financial				
									Assets				
										Treasury			
										Stock	Total		

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Cash Flows
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows From (Used in) Operating Activities</u>		
Consolidated Profit (Loss) Before Tax	\$ 366,063	\$ 387,404
Adjustments	6,859	1,689
Depreciation expense	247,713	251,245
Amortized Expense	1,678	2,812
Decrease in Allowance for Sales Returns and Allowances	11,122	(3,193)
Interest Expense	35,819	36,038
Interest Revenue	(21,408)	(15,777)
Dividend Revenue	(10,390)	(9,091)
Share of gain (loss) of Associates and Joint Ventures Accounted for Using Equity Method	(79,373)	(85,354)
Gain on Disposal of Property, Plant and Equipment	(921)	(1,384)
Notes Receivable (Include Related Parties)	(15,831)	(51,249)
Accounts Receivable (Include Related Parties)	(177,258)	(93,443)
Other Receivable (Include Related Parties)	6,001	23,516
Inventories	(104,943)	(156,777)
Prepayments	(22,551)	(7,662)
Notes Payable	47,762	(62,025)
Accounts Payable	59,521	56,021
Other Payable	87,558	32,812
Provision - Current	(3,880)	14,957
Other Current Liabilities	8,236	11,540
Other Non-Current Liabilities	(32,863)	(143,176)
Cash Inflow (Outflow) Generated from Operations	408,914	188,903
Interest Received	20,827	16,061
Receive Cash Dividends	89,600	66,268
Interest Paid	(36,283)	(36,214)
Income Taxes Refund (Paid)	(20,753)	(40,798)
Net Cash Flows from (used in) Operating Activities	462,305	194,220

(Continue)

China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries
Consolidated Statements Of Cash Flows
For the Year Ended December 31, 2017 and 2016

Unit : NT\$ Thousands

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows From (Used in) Investing Activities</u>		
Current Investments In Debt Instrument Without Active Market	\$ 9,000	\$ 8,000
Decrease(Increase) in Financing Receivable	2,090	(22,676)
Decrease(Increase) in Pledged Deposit	(11,444)	15,028
Purchase of Property, Plant and Equipment	(134,371)	(148,920)
Purchase of Intangible Aassets	(27,293)	-
Disposal of Property, Plant and Equipment	2,915	2,845
Decrease(Increase) in Investment on Equity-Method	(18,751)	3,021
Decrease(Increase) in Other Non-current Assets	(8,762)	(11,700)
Acquisition of subsidiaries (Deduct the cash received)	-	(7,783)
Net Cash Flows From (Used in) Investing Activities	(186,616)	(162,185)
<u>Cash flows from (used in) Financing Activities</u>		
Decrease(Increase) In Short-term Borrowings	19,808	15,213
Decrease(Increase) in Short-term Notes and Bills Payable	(23,300)	42,000
Proceeds from Long-term Borrowings	555,000	261,000
Repayment of Long-term Borrowings	(516,000)	(220,000)
Decrease(Increase) in Guarantee Deposits Received	16,662	(11,077)
Assigned Cash Dividends	(178,849)	(178,849)
Non-controlling Interests change	(2,064)	(4,328)
Net cash FlowsFrom (Used in) Financing Activities	(128,743)	(96,041)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(12,008)	(9,045)
Net Increase (Decrease) In Cash and Cash Equivalents	134,938	(73,051)
Cash and Cash Equivalents at Beginning of Period	628,746	701,797
Cash and Cash Equivalents at End of Period	<u>\$ 763,684</u>	<u>\$ 628,746</u>

China Chemical & Pharmaceutical Co., Ltd.

Disposition of net profit

2017

Unit: NT\$1,000

Item	Sum
2017 Net profit	310,738,617
Less: Legal reserves that have been set aside	31,073,862
Add: Undistributed earnings at the beginning of the period	1,006,469,723
Add: Adjusted retained earnings of 2017	2,676,254
Distributable earnings of 2017	1,288,810,732
Minus: Shareholders' bonus (cash dividend of NT\$0.6 per share)	178,848,648
Undistributed earnings at the end of the period	1,109,962,084
<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:



China Chemical & Pharmaceutical Co., Ltd.’s “Procedural Rules for Board of Directors Meetings” amended before and after

Amended date : November 13, 2017

Clauses after the amendment	Existing clauses	Remark
<p>Article 12: (Required discussion items by the Board of Directors)</p> <p>The following items should be discussed during all Board of Directors meetings :</p> <ol style="list-style-type: none"> 1. The Company’s business plan. 2. The annual financial report. 3. The provisions or revisions of the internal control system and assessment of <u>the effectiveness of the internal control system</u> in accordance with Article 14-1 of the Securities and Exchange Act (the Act). <p style="text-align: center;">.....</p> <p>The “related party” in Paragraph 7 in the preceding paragraph, refers to the “related party” described in the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.” The alleged “significant donation to a non-related party” refers to the donation amount of each transaction or the cumulative donation amount to one donee within one year for over NTD100 million, 1% of the net operating income stated in the most recent financial report audited by the CPAs, or 5% of the paid-in capital.</p> <p>The alleged “within one year” in the preceding paragraph is the year prior to the current Board meeting convening date, retroactively; also, the proposal that is already resolved in the Board meeting is not subject to this requirement.</p> <p>For a foreign company’s stock share without a par value or without a NTD10 par value, the criteria of “5% of paid-in capital” stated in Paragraph 2 in the preceding paragraph will be replaced with “2.5% of shareholders’ equity.”</p>	<p>Article 12: (Required discussion items by the Board of Directors)</p> <p>The following items should be discussed during all Board of Directors meetings :</p> <ol style="list-style-type: none"> 1. The Company’s business plan. 2. The annual financial report. 3. The provisions or revisions of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act (the Act). <p style="text-align: center;">.....</p> <p>The “related party” in Paragraph 7 in the preceding paragraph refers to the “related party” described in the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.” The alleged “significant donation to a non-related party” refers to the donation amount of each transaction or the cumulative donation amount to one donee within one year for over NTD100 million, 1% of the net operating income stated in the most recent financial report audited by the CPAs, or 5% of the paid-in capital.</p> <p>The alleged “within one year” in the preceding paragraph is the year prior to the current Board meeting convening date, retroactively; also, the proposal that is already resolved in the Board meeting is not subject to this requirement.</p> <p>For a foreign company’s stock share without a par value or without a NTD10 par value, the criteria of “5% of paid-in capital” stated in Paragraph 2 in the preceding paragraph will be replaced with “2.5% of shareholders’ equity.”</p> <p>The independent directors should</p>	<p>Certain content was amended in accordance with the FSC letter No. 1060027112 and TWSE letter No. 10600183131.</p>

<p><u>There should be at least one independent director personally attending the Board of Directors meeting. For the aforementioned items that should be discussed during the Board of Directors meetings, all independent directors should attend the meeting. If an independent director cannot attend in person, they should appoint another independent director as their proxy. The objections or reservations, if any, of the independent directors should be detailed in the minutes of the Board meeting. If the independent directors cannot attend the Board meeting in person to express their objections or reservations, in addition to being justified, they shall issue a written opinion in advance to be detailed in the minutes of Board meeting.</u></p>	<p>attend the matters concerning the Board of Directors in accordance with <u>Article 14-3 of the Act</u>, and they <u>should not</u> be entrusted by <u>non-independent</u> directors. The objections or reservations, if any, of the independent directors should be detailed in the minutes of the Board meeting. If the independent directors cannot attend the Board meeting in person to express their objections or reservations, in addition to being justified, they shall issue a written opinion in advance to be detailed in the minutes of Board meeting.</p>	
<p>Article 18 (Appendix) The provisions of the meeting guidance shall be approved by the Board of Directors and submitted to the shareholders' meeting. <u>Any future amendment can be authorized and concluded during the Board of Directors meetings.</u></p>	<p>Article 18 (Appendix) The provisions <u>and revision</u> of the meeting guidance shall be approved by the Board of Directors and submitted to the shareholders' meeting.</p>	<p>The content has been revised based on the Regulations Governing Procedure for Board of Directors Meetings of Public Companies issued by FSC and the sample template of the Procedural Rules for Meetings of the Board of Directors amended in TWSE letter No. 10600183131 issued by TWSE on September 27, 2017.</p>

Annex 6

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 7

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 8

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

March 31, 2018

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 9

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

Year			2018
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 2018 financial forecasts, and is therefore not applicable.