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CHINA CHEMICAL & PHARMACEUTICAL CO., LTD.

2017 Annual Report

(Translation)

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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.

- I. Names, position titles, phone numbers and e-mails for the Company's spokesman and acting spokesman:

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Title: Shareholder Services Department, Fubon Securities Co., Ltd.

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- IV. Names of the auditing Certified Public Accountants, office title, address, website and phone number for the latest Financial Statements of the Company:

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Auditor's firm: PwC Taiwan

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- V. Venue for overseas trading of the Company's negotiable securities and the method to disclose overseas negotiable securities: Nil

- VI. Company website: <http://www.ccpq.com.tw>

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One. Report to Shareholders

Ladies and gentlemen, Dear Shareholders:

First of all, we would like to thank ladies and gentlemen, our cherished shareholders and all personalities concerned for your kind concern and support toward China Chemical & Pharmaceutical Co., Ltd. On this significant occasion, we would like to summarize you all about our actual business performance in 2017, our business managerial strategies toward 2018. Please feel free to offer and do not spare your precious comments.

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.

Comparison of the revenues and expenditures in the Consolidated Financial Statements of 2017 & 2016.

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

(II) Performance of the consolidated budget for 2017

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

(III) The revenues and expenditures in the Consolidated Financial Statements for Year 2017 and analysis into the profitability thereof:

1. Financial income and expense:

Unit: NTD thousand	
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:	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

(IV) 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.

II. Business plans for Year 2018 in summary:

- (I) The business policies and major production and marketing policies for the Parent Company and the subsidiaries
 1. China Chemical & Pharmaceutical Co., Ltd. (parent company)
 - (1) Momentum to boost research & development
 - Continued efforts toward research & development toward high know-how threshold products taking advantage of the existing technical platforms.
 - By means of close teamwork among business, academic and government celebrities, we have successfully developed high threshold new technology & know-how.
 - By integrating our advantages from raw materials toward pharmaceuticals, we have successfully developed niche products to create the concerted performance (synergy) in vertical integration.
 - Focusing on European and American nations and regions as our key markets, we have successfully developed high technical threshold generic

pharmaceuticals.

- (2) We upgrade our quality continually without interruption
 - Both Hsinfong Plant, Taichung Plant satisfactorily completed TFDA PIC/S GMP follow-up factory inspections
 - Our Hsinfong Plant was successfully granted a pass in PMDA Japan in the follow-up factory inspections for lyophilized injection production lines.
 - Tainan Plant I was successfully granted a pass in Arabia in the follow-up factory inspections for injection production lines.
 - Tainan Plant II was successfully granted a pass by FDA of the United States in the follow-up factory inspections.
- (3) Expansion in productivity
 - Under our elaborate planning, the Hsinfong Plant set up independent production zones for special pharmaceuticals and general drugs.
 - For our Taichung Plant amidst expanded productivity for injection drugs, we have expanded the power and frozen dry products into two independent production lines, tremendously boosting productivity and efficiency.
 - We completed procurement of film-coating machines for Tainan Plant II wherewith we significantly boosted the productivity.
 - In Tainan Plant III, we set up Penem OEM Plant as commissioned by Mazuho Japan.
 - Under our elaborate planning, our Hsinfong Plant and Taichung Plant procured X-ray Sorting Machines and Abnormal Equipment to enhance the sorting capability.
- (4) Performances in international markets
 - Through integration of resources of CCPC affiliated enterprises, we have spared no effort to develop our own pharmaceuticals, family daily chemical beauty makeups, beauty-care products, health products, animal health products, food additives and such export-oriented products.
 - In terms of OEM performances overseas: Our Tainan Plant II focuses on production niche oriented products focusing on American markets. These products are under stabilized supply at the moment. Hsinfong Plant II has concentrated onto development of immunosuppressive agent toward overseas markets, with continued export, primarily markets in Japan. Meanwhile, we have spared no effort to promote export of immunosuppressive agent series. Through Hsinfong Plant I and Taichung Plant, we have exported two items of lyophilized injection products toward Japan, anticipated to be in a huge growth in shipment volume in the current year. Other than the aforementioned items of cooperation, we put forth maximum possible efforts to expand more OEM chances in the international community to boost our revenues, enhance competitive edge to become integrated into the global market.
- (5) Performances in the animal health products
 - We have been seriously concerned about the update of the animal vaccine markets to strive for opportunities to team up with international counterparts to better land in the realms of animal vaccine sales.
 - We have participated in overseas solicitations for livestock and veterinarian drugs and actively developed export markets and international OEM abroad, in particular in Asia.
 - We team up with domestic animal pharmaceutical manufacturers into strategic alliances and into complementary cephalosporin production lines to strengthen our competitive edge in the markets.
 - We screen well distributorship-oriented products, set up new domestic distributorship channels to go hand-in-hand with direct sales markets to expand services toward customer bases and promote business operation into further

growth.

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

(1) We focus on growth of the key products in the realm:

- In response to adjustment of National Health Insurance oriented pharmaceuticals to accelerate the speed to hit the markets into high sales, we have carried out the products portfolio five years ahead, to implement new pharmaceutical launch and expansion plans to enhance the substantial profitability.
- We intensify positioning of pharmaceuticals manufactured by ourselves, agency pharmaceuticals, users-pay health care products as the very highlighted products positioned into our marketing programs.
- We develop cancer-oriented pharmaceuticals, rare drugs and Biosimilar drugs into markets.

(2) We integrate and intensify three major marketing channels:

- We intensify development toward three major channels, i.e. hospitals, clinics and health care into effective integration of resources of all channels and into sound concerted performance (synergy).
- Toward the hospital groups: Hospital Division, Special Drug Division, Central Pivot Department, Distributorship Department.
- Clinic Business Groups: Clinic Drug Divisions for Northern, Central and Southern regions.
- Health & Fitness Group: Health-Care Division, Daily Beauty Makeup Division, Medical Material Division

(3) Expansion of pharmaceutical sales platform scale

- In utmost effort, we bring in products of international generic pharmaceutical manufacturers, engage in distributorship, research & development of patented pharmaceuticals and integrate them with the marketing channels of existent products.
- In wholehearted efforts, we team up with Japanese counterpart Daiichi-Sanky to market its leading brand name OTC cold medicine Shin Lulu Ace.
- Continually, we team up with ONO Japan whose new product Opalmon is to be launched in Taiwan into clinical trial to initiate new ingredient drug registration here.
- We team up with Boehringer Ingelheim, Germany to market its respiratory tract drugs to benefit consumers in the markets.

(4) We develop consumers-pay markets for health & fitness oriented products

- We incorporated Chunghwa Biomedical Technology Corp. to manufacture individual cleansing and beauty-make-up articles.
- In our profound culturing, we promote our leading brand names "Green No. 1", "Smile", "KOZI", "China Chemical Health-Care & Fitness" into investment benefits.
- We expand teamwork with Japan for LION household article series and significantly boost markets in the cosmeceuticals channels.
- Through active efforts, we promote markets in Taiwan in concert with Elis Brand name of Japan, for the Elis Personal hygiene products.
- In positive efforts, we promote SSM Sheep Milk Powder for marketing and expansion channels in Taiwan.
- We teamed up with Garmin to set up logistic platforms for intellectual health mobile device medicines.
- We successfully obtain the joint venture program for Braise artificial intellectual air cleaners that we shall promote into the professional medical-care markets.

3. Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd. (a subsidiary)

- (1) It primarily engages in sales promotion.
 - Making use of new medical insurance policies, new landmarks all where, we have continually carried out the task. In 2018, we focus on development, cultivation & training, academic promotion for Lipo and construction of benchmarking hospitals.
 - Continually ahead, we accelerate non-antibiotic products and chronic disease oriented markets, primarily aiming at aging patients. In 2018, we focus on promotion of Voglibose, Telmisartan and Hydrochlorothiazide Tablets..
 - With continued efforts, we promote the third terminal markets in Jiangsu Province, successfully accomplishing the overall coverage of the 13 landmark regions.
 - Amidst continued efforts, we bring in agency species to further suffice our product structures.
 - (2) We strengthen investment into the research & development.
 - As the very key point in our first batch is toward clinical trial of consistent evaluation.
 - We focus on very key new products to accelerate our pace in pharmaceutical research to accomplish the BE trial process.
 - (3) Continued enhancement of the enterprises
 - Reliability management over integral data, with overall upgrade of qualitative and quantitative awareness, successfully leading CCPC to satisfactorily pass CFDA GMP reissue inspection.
 - For contact lenses care solution, we further upgrade the automated operation process and successfully build the first automatic production line for the entire plant.
 - We upgrade the enterprise information administration system, strengthen prevention over computer and network security, optimize operating procedures and upgrade managerial efficiency.
 - (4) Development of OEM markets at home and abroad
 - We try hard to maintain sound teamwork in the current markets in Japan with positive efforts to strive for new chances in the markets.
 - We initiate development toward Southeast Asian Markets to strive for the newly emerging markets in the ten member nations in the Association of Southeast Asian Nations (The Association of Southeast Asian Nations (ASEAN)).
 - In wholehearted efforts, we timely respond to the changes in the domestic pharmaceutical policies to boost the opportunities in domestic OEM markets.
 - (5) Development of household effects oriented businesses
 - In promotion of electronic commerce, we aim at B2C brand name flagship stores to enhance the influence of our brand names in B2B platforms. Meanwhile, we distribute via Alibaba, Taobaocom, Micronet to fulfill overall coverage of marketing networks to eventually accomplish one-stop service business.
 - With further development into substantial sales region, we march toward Central, Western regions of China to, meanwhile, increase sales through drug store systems.
4. Chunghwa Senior Care Co., Ltd. (a CCPC subsidy)
- (1) Growth and systemization for overall nursing-care services.
 - In nursing-care services, we associate ourselves with at home care services to promote one-stop integral at home care services. Meanwhile, we continually strengthen promotion of professional expertise care services to cover such services including dementia, health enhancement and home-based hospice.
 - We strive for opportunities in the markets in the nursing-care services at home

mode to set up community-care alliances to maximize overall momentum and influence upon the entire businesses.

- Via IT individual management structure, complete and count evaluation charts, a variety of referrals, accounting functions, we successfully promote the reliability and efficiency for home nursing-care services in the multivariate evaluation and matching performances.
- We promote the nursing-care services at home providers, customer app services into digitalization to upgrade the quality and benefits in the services.
- Step-by-step, we set up integral case data and figures which could be put into flexible utilization along with the case data to analyze and break down trends of data.

(2) Growth and systemization of cultivation & training of Jin Zhao Studio

- We establish and enact teaching materials/kits for professional nursing-care services and systemization of standards for teaching contents to launch modulized curricula with charge for tuitions. For a variety of nursing-care services curricula, we work out Standardized Bible/Guideline based on grades and professional categorization.
- Continually via educational & training programs, we team up with business, academic and government celebrities and authorities to accumulate professional momentum of professional teaching facilities and industrial capability. We launch concerted development toward curricula, curricular training programs and authentication certificates.
- For screening of outsourced instructors, we set sound conditions for evaluation and, meanwhile, we carry out sound cultivation & training programs for in-house CCPC instructors.
- We expand the targets to solicit students and trainees from outside sources exactly based on the senior lifestyle needs, set up sound key curricula and expand commercial opportunities for the cultivation & training programs.
- We lodge application exactly in accordance with the Long-Term Care Services Act to check and verify the qualification requirements and approval based on the credits having been satisfactorily won in the Continuing Education for long-term care services.
- In the educational & training programs, we associate ourselves with procurement of the target merchandise, integration of cross-supplier resources to maximize the multivariate benefits.

(3) Upgrade of the benefits and performance in the senior lifestyle oriented merchandise platform O2O.

- Thanks to the comprehensive electronic commerce platforms, we make available strictly selected merchandise and brand name houses in both qualitative and quantitative control to maximize sales turnover.
- For all aspects including consultation services for merchandise and aids, application for subsidies for long-term care services, procurement of merchandise and aids, functions and therapy for routine life at home, at-home medicine services and the like, we through the cultivation & training programs cultivate diversified, comprehensive and multifaceted one-stop services with wholehearted efforts to upgrade merchandise consultation services in both reliability and efficiency as the very accurate channels to satisfy consumer needs.

(4) Development of business strongholds in communities

- With positive attitude and efforts, we strive for opportunities to boost businesses in strongholds in communities to maximize sales revenues. We earnestly hope to generate reciprocal benefits with nursing-care services at home to offer diversified, comprehensive services toward downlines of

merchandise. Through agglomerate economy, we would like to simultaneously carry out other home-based care for the aged services.

(5) Businesses in expansion toward newly developed markets

- By means of project consultation services, we put forth maximum possible efforts to team up with the needs in China toward rendering and sales for cultivation & training programs of professionals and consultants oriented with the senior lifestyle needs.

5. PHERMPEP CO., LTD. (a CCPC subsidy)

(1) Expansion of markets toward the international community, focusing on brand name, raw materials into strategic alliance.

Continually without interruption, we participate in the international landmark exhibitions in an effort to develop potential partners into cooperation. For brand name raw materials "Kefir peptides", we successfully grasp key opportunities in Vitafoods Asia 2017. Preliminarily, we have chosen the counterpart firms in the United States, Italy, Poland, Malaysia, Indonesia, Singapore and Myanmar into evaluation and cooperation. To date, we have successfully teamed up with renowned Malaysian health-care giant Nano Medic-Care(NMC) into strategic alliance to jointly develop "Kefir peptides" derivatives into markets.

(2) Wholehearted efforts toward research & development of advanced technology & know-how to strengthen our competitive edge in the health-care markets at home and abroad.

Taking Central Taiwan Science Park as our very research & development stronghold, we effectively integrate our resources in research & development, production, efficacy verification to continually deepen the research on Kefir peptides derivative health-materials and successfully won acclaim for the security from the international community, notably GRAS (Generally Recognized as Safe) in the United States and HALAL Certification. Continually ahead, we shall win certification and acclaim for the security in Europe and China.

(3) In all efforts, we carry out clinical trial and accumulate the scientific verifications in the efficacies.

Focusing on three major realms of chronic diseases in blood vessels, sclerotin bonesubstance and metabolism, we set up business, academic and medicine celebrities into cooperation platforms to jointly carry out efficacy certification for the core brand name raw materials toward health-care and medical treatment aids.

(4) We have applied for certification of health food to advance brand diversification positioning.

On our core brand name "PHERMPEP" series products, other than "solidity and stability" which we have successfully obtained certification for sclerotin bonesubstance. Another key product "Milk Peptides" is under our wholehearted efforts for certifications into health food for which the efficacy clinical trial is soon to be carried out in Northern Region Medical Center Hospital. That second health-food certification license will soon be won into our domination.

(5) We dominate three major brand names of our own to accelerate growth of sales revenues in domestic markets.

Continually without interruption, we put forth maximum possible efforts promote our three brand names, i.e. "PHERMPEP", "PHERMPEP Your Life" and "Full Health " in concert with affiliated enterprise CCPC (Chunghwa Yuming Healthcare Co., Ltd.) with its advantage in marketing to maximize the concerted performance (synergy).

6. Tairung Development Co., Ltd. (a CCPC subsidy)

(1) To maximize scope of our production to engage in design, development and production of medical care appliances & materials, we have successfully accomplished certification for ISO13485 medical care appliance quality

management system standards.

- (2) In response to the needs in the markets in filling and treatment amidst high temperature, we have spared no effort in developing the production and markets of heat resisting containers.

(II) Anticipated sales volumes and the grounds thereof

We anticipate our sales volume in 2018 exactly on the grounds of the business policies in 2017 amidst the targets of market segmentation, improvement of product structure and upgrade of our product development capabilities, we anticipate our sales volume as shown through the Table below:

Classification	Unit	Sales volume
Human oriented injections	Expressed on one thousand pieces	49,703
Human oriented liquid and ointment	Kg.	134,543
Human oriented tablets	Thousand pieces	2,237,693
Animal oriented injections	Expressed on one thousand pieces	714
Animal oriented liquid & ointment	Kg.	67,539
Animal oriented feed medicine additives	M. T.	1,858
Plastic containers	M. T.	540
Daily use health-care products	M. T.	2,600
artificial joint prosthesis	piece	90,000

III. Strategies for future corporate development, the impact of the external competition environment, statutory environments and overall operational environments:

- (I) In response to adjustment of prices of the National Health Insurance oriented medicines and the policies with link up with patents, we shall accelerate independent research & development for the sales of sales performance and shall, meanwhile, with wholehearted efforts, strive for patents and distributorship for generic pharmaceuticals in the international markets. Meanwhile, we shall intensify our capability and scales in the platforms with omnifarious and comprehensive in-depth promotion toward hospitals, clinics and drug store channels.
- (II) We shall associate ourselves with partners available in at home and abroad to accelerate promotion of pharmaceuticals oriented to rare diseases or orphan diseases, cancers, biological and such specialty drugs through efforts of development and introduction.
- (III) We positively develop or bring in users-pay health care products to expand performance in the users-pay markets.
- (IV) Toward overseas subsidiaries, we set up the third terminal department, promote the third terminal department to bring new products into markets. In response to the policy toward uniformity evaluation policy, we shall launch uniformity evaluations for existent products to assure sound and comprehensive Public Affairs Department to grasp in real time the government policies and work out sound countermeasures in real time.

We wish you all shareholders

We earnestly wish you all excellent health and may everything go exactly as you wish.

Chairperson



Manager:



Chief accountant:



Two. Company Profile

I. Date of foundation: March 12, 1952

II. Company history:

CCPC was founded in March 1952 by Mr. Wang Ming-Ning, the founder, in concert with a number of domestic industrialists. CCPC engaged in purchases, sales and manufacture of pharmaceuticals as well as imports and exports thereof. CCPC used to be headquartered on Nanyang Street of Taipei and was later relocated toward Zhongxiao W. Road. In response to the substantial business need, China Chemical & Pharmaceutical Co., Ltd (hereinafter referred to as either “CCPC” or the “Company”, as appropriate in the circumstances) erected its own new buildings on Guanqian Road and Xiangyang Road in 1974.

In response to the substantial needs of the expanded business horizons and the long-term development, CCPC purchased vast land, around 17,000 ping (1 ping = 3. 3025 square meters = 36 ft²) at Xinfong Township of Hsinchu County in 1991 while we mapped out and designed our plant facilities at the most advanced criteria. Hsinfong Plant was officially completed in construction to launch volume production in 1997. Then in 2001, it teamed up with Taichung Plant to take the lead to satisfactorily pass cGMP audit by the Department of Health. At the moment, Hsinfong Plant is in very sound business operation and leads to tremendous contribution toward upgrade in quality, quantity as well as the Company's overall business performance.

The significant CCPC development events are summarized below:

April 1983:	Suzhou CCPC Industrial Co., Ltd. was officially incorporated. Suzhou CCPC is known as the largest Taiwan pharmaceutical pioneer landing with huge investment in China.
August 1990:	Suzhou CCPC successfully acquired GMP certification from National Pharmaceutical Supervisory Administration.
November 2001:	Suzhou CCPC successfully passed ISO9001: 2000 Quality & Quantity Management System Certification.
November 2002:	Suzhou CCPC's Research Institute was completed and satisfactorily passed ISO4001 Environmental Management System Authentication.
April 26, 2006:	To make optimal quality services available, CCPC Biomedicine Co., Ltd. - a CCPC investee, officially signed the contract with Home Instead Corporation in the United States in April to promote in-home nursing-care services markets in Taiwan.
June 9, 2006:	In the shareholders' regular meeting 2006, it was resolved that cash dividend be granted at @NTD0.7 per share.
June 8, 2007:	In the shareholders' regular meeting 2007, it was resolved that cash dividend be granted at @NTD0.7 per share.
August 2007:	Suzhou CCPC was granted by Japan's Health Ministry (MHW) authentication certificate for general pharmaceuticals and medicine products.
June 24, 2008:	In the shareholders' regular meeting 2008, it was resolved that cash dividend be granted at @NTD0.5 per share.
November 5, 2008:	Tainan Plant I was granted ISO22000: 2005 Authentication.
June 3, 2009:	In the shareholders' regular meeting 2009, it was resolved that cash dividend be granted at @NTD0.2 per share.
July 21, 2009:	Tainan Plant III (Cephalosporin Plant) broke grounds to start construction.
December 25, 2009:	Suzhou CCPC - a CCPC investee, satisfactorily passed official plant inspection process by PMDA(GMP) Japan on December 25, 2009.
December 2009:	Suzhou CCPC successfully passed official authentication by PMDA J-GMP Japan.

March 16, 2010: Taichung Plant successfully passed official PIC/S GMP evaluation by Department of Health, Executive Yuan (the Cabinet).

June 4, 2010: In the shareholders' regular meeting 2010, it was resolved that cash dividend be granted at @NTD0.7 per share.

September 2010: Suzhou CCPC laid its foundation for new stronghold. That new factory consistent with the up-to-date version GMP of China and European Union (EU) as a modernized plant was completed in late 2013.

October 7, 2010: Hsinfong Plant successfully passed official PIC/S GMP evaluation by Department of Health, Executive Yuan (the Cabinet), proving satisfactory to the required specifications.

December 6, 2010: Tainan Plant III was officially approved by the Tainan City Government for factory registration.

January 12, 2011: Tainan Plant II successfully passed official PIC/S GMP evaluation by Department of Health, Executive Yuan (the Cabinet), proving satisfactory to the required specifications.

June 10, 2011: In the shareholders' regular meeting 2011, it was resolved that cash dividend be granted at @NTD0.7 per share.

September 19, 2011: Tainan Plant III successfully passed official PIC/S GMP evaluation by Department of Health, Executive Yuan (the Cabinet), proving satisfactory to the required specifications.

October 25, 2011: Via a third region investment Chunghwa Holding Co., Ltd., the Company invested in Suzhou CCPC.

December 23, 2011: The Company resolved to set up Remuneration Committee, to commission Remuneration Committee members and to set up Organizational Registration for Remuneration Committee.

March 16, 2012: Though a third region investment Chunghwa Holding Co., Ltd., the Company invested in Suzhou CCPC.

June 25, 2012: In the shareholders' regular meeting 2012, it was resolved that cash dividend be granted at @NTD0.5 per share.

August 7, 2012: The Company planned out the setting up of Taiwan's first manufacturer for animal oriented injection agent, liquid and ointment products consistent with CGMP requirements of the Department of Health, Executive Yuan (the Cabinet) which broke ground to start construction.

September 21, 2012: CCPC teamed up with National Chung Hsing University, Dayeh University in concerted development of "new anti-hypertension peptide and the uses thereof" to complete execution for technical transfer contract. CCPC officially launched the new era of Taiwan's hypertension-prevention health.

June 4, 2013: In the shareholders' regular meeting 2013, it was resolved that cash dividend be granted at @NTD0.5 per share.

May 2013: Tainan Plant II officially passed factory inspections by the FDA of the United States, with notice through official certificate in writing.

December 2013: Construction of CCPC Suzhou on the new site was completed.

May 2014: CCPC's Suzhou factory at the new site launched overall volume production.

June 2014: In the shareholders' regular meeting 2014, it was resolved that cash dividend be granted at @NTD0.5 per share.

August 2014: In the specifications satisfactory to cGMP requirements, the animal oriented injection, ointments manufactured by CCPC Taiwan Plant officially passed the GMP authentication by the Council of Agriculture, Executive Yuan.

August 2014: Hsinfong Plant II successfully passed authentication by PMDA Japan.

October 2014: The Company set up CCPC Suzhou Yumin Pharmaceutical Co., Ltd. to

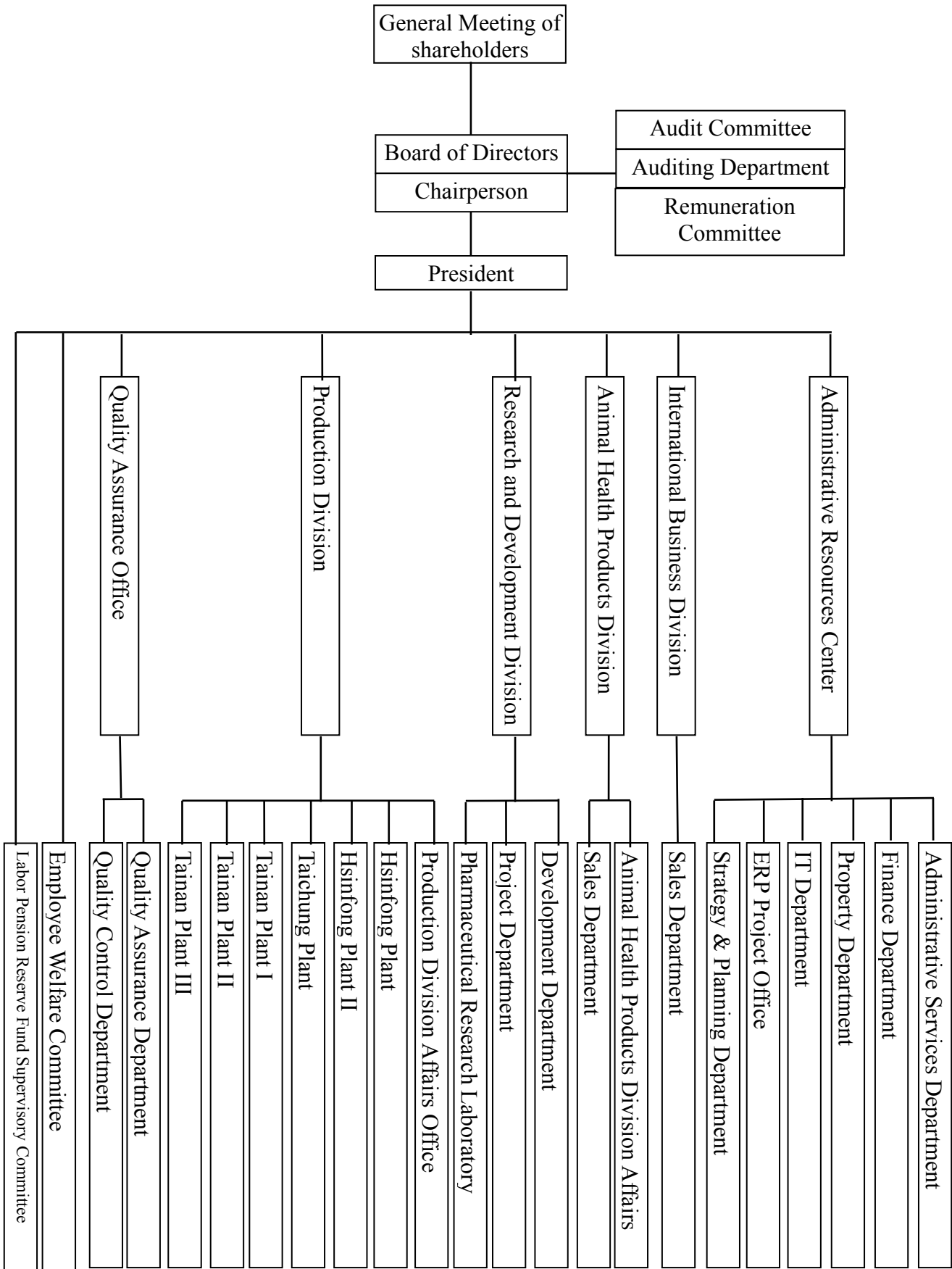
- cultivate Chinese markets in depth, focusing on Changjiang Delta, Zhujiang Delta and Beijing, with market networks virtually covering entire China, as an expertise and trustworthy marketing & service platforms for medical care products.
- January 2015: The Company set up CCPC Phermpep. Thanks to the decade long effort of sound and successful teamwork by and among CCPC, National Chung Hsing University, Dayeh University for decade-long efforts, with the leading banner research & development power, the CCPC Group has focused on material development and fully grasped consumers' needs to offer omnifarious and comprehensive healthy food.
- May 2015: In the shareholders' regular meeting 2015, it was resolved that cash dividend be granted at @NTD0.6 per share.
- June 2015: With the Establishment Inspection Report issued by US FDA to verify the satisfactory outcome in factory inspection, CCPC's Tainan Plant II was officially verified to satisfy US FDA standards. Pharmaceuticals manufactured by CCPC's Tainan Plant II could be marketed throughout the American markets.
- August 2015: To better satisfy the requirements by senior citizens in their aging lifestyle, CCPC Biomedicine Co., Ltd. was rechristened into "Chunghwa Senior Lifestyle Services Co., Ltd." to specifically take care of aging senior citizens, take charge of cultivation & training programs for aging senior citizen oriented talents and render managerial and consolatory services.
- August 2015: CCPC's Taichung Plant and Hsinfong Plant respectively accepted factory inspection process by PMDA Japan before the lyophilized injection products launch to market to verify GMP compatibility. Both Plants received "Report on GMP Investigation Outcome" with overall judgment as "compatible". Both Plants prove satisfactory to the GMP specifications Japan.
- February 2016: Groundbreaking process to start construction of CCPC's Taiwan Medicated Soap Plant satisfactory to cGMP specifications.
- May 2016: In the shareholders' regular meeting 2016, it was resolved that cash dividend be granted at @NTD0.6 per share.
- May 2017: In the shareholders' regular meeting 2017, it was resolved that cash dividend be granted at @NTD0.6 per share.
- October 2017: CCPC's Taiwan Medicated Soap Plant satisfactorily passed GMP specifications as officially approved by the Ministry of Health and Welfare.

Three. Corporate Governance

I. Organizational structure:

(I) Organization chart:

Organization chart of China Chemical & Pharmaceutical Co., Ltd.



(II) Business affairs operated by the key departments:

Audit Committee:	It primarily operates for the purposes of overseeing the financial statements into an appropriate presentation, independence of the certifying Certified Public Accountants, effective enforcement of the internal control system, sound law compliance and sound control over existent or potential risks.
Remuneration Committee:	In a professional and objective stance, it evaluates the policies and systems of the remuneration and salaries to the Company's directors and managerial officers and offers sound proposals to the board of directors as handy reference in the policymaking process.
Administrative Resources Center:	A variety of development oriented businesses of the Head Office.
Auditing Department:	Audit over a variety of business operations of the entire Company.
ERP Project Office	It integrates the operating procedures in the tasks of all departments inside the enterprise to unify the processing procedures of the internal data, reflect the use status of all resources inside the enterprise in real time to offer timely reference for policymaking process and to, in turn, benefit the entire enterprise through an added competitive edge.
Administrative Services Department:	The general business affairs, procurement of business oriented articles, casher affairs, human resources management with assistance in the business affairs in China.
Finance Department:	Working capital fund procurement, equity affairs operation, accounting handling, taxation handling, working out the Company's financial statements and management over the Company's fixed assets.
Property Department:	Procurement of the Company's bulk pharmaceutical chemicals (BPC), machinery & equipment, books in original languages and import of finished products.
IT Department:	Maintenance of the Company's computerized business operation and information safety & security.
Strategy & Planning Department:	Participating in strategic meetings, collecting and assembling of update information of affiliated enterprises, key businesses and competitors to function as the handy reference in policymaking process.
Research and Development Division:	Jurisdiction thereunder: Development Department, Project Department, Pharmaceutical Research Laboratory.
Development Department:	Collection, evaluation and proposal of up-to-date information of human oriented pharmaceuticals.
	Collection of laws and regulations concerning intellectual property rights, domestic laws concerning pharmaceuticals, human/animal oriented pharmaceutical in procedures concerning registration and market approval, extension, change in permits and management over instruction leaflets.
Project Department:	Collection of up-to-date information in internationalized pharmaceuticals, in particular European and American markets, Japan, regarding pharmaceuticals related laws and clinical updates, evaluation and proposal thereof. The internationalized pharmaceuticals for procedures concerning registration and market approval, assembling of technical data, introduction to new technology & know-how at home and abroad, business related to business, academic and government celebrities in the teamwork.
Pharmaceutical Research Laboratory:	Distribution, tracing, coordination, research, reassessment, registration of development items of new products, business related to launch to market, trial manufacture of products commissioned for processing, support of production technology & know-how for a variety of products.
International Business Division	Business linked up with development of international markets oriented pharmaceuticals, commissioned manufacture of pharmaceuticals oriented to domestic markets.
Animal Health Products Division:	Sales Department for Animal Health Products thereunder:
Sales Department for Animal Health Products:	Sales of animal oriented pharmaceuticals and feed additives.
Production Division:	In jurisdiction thereunder include Production Division Affairs Office, Hsinfong and Plant II, Taichung Plant, Tainan Plants I, II & III.
Hsinfong Plant:	Production of drugs for human use, including notably injections, solid dosage form, oral dosage form solution for external use, ointment, suppository.
Hsinfong Plant II:	Immunosuppressant manufacturing plant, with products including film coated tablets, capsule preparation.
Taichung Plant:	Production of human and animal-oriented Penicillin (antibiotics) with product dosage forms primarily including powder, granules, capsules, pastilles, film coated tablets, sterile injectable powder, lyophilized injection.
Tainan Plant I:	Production of animal health products and feed additives, water-soluble preparation.
Tainan Plant II:	Production of drugs for human use with major pharmaceuticals primarily including pastilles, film coated tablets, sugar-coated pastilles, capsules and powder. Successfully granted a pass by FDA PAI of the United States.
Tainan Plant III:	Production of drugs for human use, Cephalosprin, sterile injectable powder
Quality Assurance Office:	Jurisdiction thereunder including Quality Control Department, Quality Assurance Department.
Quality Control Department:	Sampling of bulk pharmaceutical chemicals (BPC), inspection of semi-products and finished products, stability test, enforcement of relevant confirmed efficacy, monitoring over environment and water quality.
Quality Assurance Department:	Evaluation of product quality, stability test, change in the control & management over stored samples, management over bulk pharmaceutical chemicals (BPC) suppliers, customer complaint issues and retrieval issues.
Employee Welfare Committee:	Assuming the responsibility for employee welfare.
Labor Pension Reserve Fund Supervisory Committee:	Supervisory watch over pension reserve.

II. Background information of Directors, Supervisors, President, Vice Presidents, Assistant Managers, and the heads of various departments and branches:

(I) Director, supervisor:

1. Information on directors, supervisors

March 31, 2018 Unit: shares

Title Name	Nationality and Registry	Gender	Date elected	Term	Date first elected	Shares held in elected		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairperson Wang, Hsun-Sheng	Republic of China	Male	2016.05.27	3 years	1992.04.11	14,703,937	4.93%	14,703,937	4.93%	599,177	0.20%	0	0.00%	MBA, Yale University	The Company: Chairperson Other Company: Note 1	Director	Wang, Hsun-Hui	Brothers
Director Wang, Hsun-Hui	Republic of China	Male	2016.05.27	3 years	1995.05.30	13,902,817	4.66%	13,781,817	4.62%	771,177	0.26%	0	0.00%	BA, State University of New York	The Company: None Other Company: Note 2	Chairperson	Wang, Hsun-Sheng	Brothers
Director Cheng, Hsi-Yi	Republic of China	Male	2016.05.27	3 years	2002.06.14	1,162,091	0.39%	1,162,091	0.39%	7,569	0.00%	0	0.00%	MA, Tokai University	The Company: None Other Company: Note 3	None	None	None
Director Wang Ming-Ning Memorial Foundation	Republic of China	-	2016.05.27	3 years	2007.06.08	10,432,912	3.50%	10,432,912	3.50%	0	0.00%	0	0.00%	None	The Company: None Other Company: None	None	None	None
Director Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung	Republic of China	Male	2016.05.27	3 years	2007.06.08	200,597	0.06%	200,597	0.06%	0	0.00%	0	0.00%	BPharm, Kaohsiung Medical University	The Company: None Other Company: Note 4	None	None	None
Independent Director Pei, Min-Li	Republic of China	Female	2016.05.27	3 years	2016.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA., National Taiwan University	The Company: None Other Company: Note 5	None	None	None
Independent Director Wu, Su-Huan	Republic of China	Female	2016.05.27	3 years	2016.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA., National Taiwan University	The Company: None Other Company: Note 6	None	None	None
Independent Director Chen, Hung-Shou	Republic of China	Male	2016.05.27	3 years	2016.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA., National Taiwan University	The Company: None Other Company: Note 7	None	None	None

Note 1: Chairperson of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Tairung Development Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Senior Care Co., Ltd., HU-YU Co., Ltd., Sino-Japan Chemical Co., Ltd., Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.

Note 2: Chairperson of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., Managing Director of Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd., Director of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Tairung Development Co., Ltd., Timpeco International Co., Ltd., Chunghwa Holding Co., Ltd., Supervisor of Sino-Japan Chemical Co., Ltd.

Note 3: Director of Ren Ai Enterprise Co., Ltd.

Note 4: Director of Sino-Japan Chemical Co., Ltd.

Note 5: CPA of Pei, Min-Li Accounting Firm.

Note 6: Independent Director of Iron Force Industrial Co., Ltd., ASPEED Technology Inc., Member of Remuneration Committee.

Note 7: Independent Director of Yageo Corporation, momo.com Inc., Giant Manufacturing Co., Ltd.

2. Where the directors and supervisors are representatives of juristic person shareholders, list of shareholders among the top ten in terms of shareholding ratios:
 - (1) Corporate shareholders' main shareholders: None.
 - (2) Major shareholder(s) where the major shareholder of the juristic person shareholder is a juristic person: None

3. Directors' and Supervisors' expertise and independence

Qualification	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Name														
Chairperson Wang, Hsun-Sheng			V									V	V	—
Director Wang, Hsun-Hui			V									V	V	—
Director Cheng, Hsi-Yi			V	V		V	V	V	V	V	V	V	V	—
Director Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung			V	V			V	V	V	V	V	V		—
Independent Director Pei, Min-Li		V	V		V	V	V	V	V	V	V	V	V	—
Independent Director Wu, Su-Huan		V	V		V	V	V	V	V	V	V	V	V	2
Independent Director Chen, Hung-Shou			V		V	V	V	V	V	V	V	V	V	3

Note 1: place a "✓" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not employed by the company or any of its affiliated companies.
- (2) The directors and supervisors not as an affiliated enterprise of the Company (except an event as an independent director who has been staffed by the subsidiary based on the main Act or the local home country law in case of a company or parent company)
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee performing their duties pursuant to Article 7 of the Regulation Governing the Establishment of Remuneration Committee and the Performance of Authority of Companies trading their stocks in TWSE/GTSM_{1±}.
- (8) Not a spouse or relative of second degree or closer to any other directors.
- (9) Does not meet any descriptions stated in Article 30 of The Company Act.
- (10) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches:

March 31, 2018 Unit: shares

Title	Nationality	Name	Gender	Date on board	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
President	Republic of China	Wang, Hsun-Sheng	Male	1995.08.01	14,703,937	4.93%	599,177	0.20%	0	0.00%	MBA, Yale University	Chairperson of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Tairung Development Co., Ltd., Chunghwa Senior Care Co., Ltd., HU-YU Co., Ltd., Sino-Japan Chemical Co., Ltd., Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	None	None	None
Vice President	Republic of China	Sun, Yin-Nan	Male	2010.04.14	65,082	0.02%	7,841	0.00%	0	0.00%	Graduated from Labor Relationship Department of Chinese Culture University	Director of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Tairung Development Co., Ltd., Chunghwa Senior Care Co., Ltd., Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., Supervisor of Phermpep Co. Ltd., President of Chunghwa Yuming Healthcare Co., Ltd., Chairperson of Chunghwa Biomedical Technology Corp.	None	None	None
Vice President	Republic of China	Hsieh, Chun Ju	Female	2017.06.01	0	0.00%	0	0.00%	0	0.00%	Ph. D. in Biology in Emory University in Atlanta	Director of China Development Biomedical Co., Ltd. (juristic person representative of CCSB)	None	None	None
Vice President	Republic of China	Tsai, Kuo-Chang	Male	2014.09.01	0	0.00%	0	0.00%	0	0.00%	BPharm, Kaohsiung Medical University	Chunghwa Yuming Healthcare Co., Ltd. Director	None	None	None
Vice President	Republic of China	Wu, Chih-Yung	Male	2017.06.01	0	0.00%	0	0.00%	0	0.00%	College of Pharmacy, China Medical University	Chunghwa Yuming Healthcare Co., Ltd. Director	None	None	None
Vice President	Republic of China	Hsu, Shou-Chung	Male	2016.12.01	3,000	0.00%	0	0.00%	0	0.00%	Department of Chemistry, Fu Jen Catholic University	None	None	None	None
Managers,	Republic of China	Lin, Teng-Pao	Male	1994.01.04	49,916	0.02%	0	0.00%	0	0.00%	Graduated from National Cheng Kung University, Department of Industrial Management	None	None	None	None
Managers,	Republic of China	Chao, Te-Feng	Male	2001.07.19	52,272	0.02%	0	0.00%	0	0.00%	Graduated from National Chung Hsing University, Department of Statistics	Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., PHERMPEP CO., LTD., Supervisor of Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Senior Care Co., Ltd., Tairung Development Co., Ltd.	None	None	None
Managers,	Republic of China	Huang, Yi-Chun	Female	2014.03.07	0	0%	0	0.00%	0	0.00%	Graduated from Feng Chia University, Department of Finance & Taxation	Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., airung Development Co., Ltd., PHERMPEP CO., LTD., Chunghwa Yuming Healthcare Co., Ltd., Supervisor of Chunghwa Biomedical Technology Corp.	None	None	None

(III) Remuneration paid to Directors, Supervisors, the President, and the Vice President in the last year

1. Remuneration for Directors (including independent directors) (name is disclosed in the respective column of the Range of Remuneration Table according to the lump sum payment method)

Unit: NTD thousand

Title	Name	Directors' remuneration								Remuneration as an employee												The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)	Remuneration from invested businesses other than the subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)		The sum of A, B, C and D as a percentage of after-tax profit (Note 10)		Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)							
		The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)			The Company	All companies shown in the financial report (note 7)	The Company	All companies shown in the financial report (note 7)	The Company		All companies contained in the financial report (Note 7)		The Company	All companies shown in the financial report (note 7)		
										Cash amount	Stock amount					Cash amount	Stock amount						
Chairperson	Wang, Hsun-Sheng	2,028	2,028	0	0	3,300	3,300	1,992	1,992	2.36%	2.39%	3,682	7,499	164	374	165	0	489	0	3.65%	5.12%	0	
Director	Tsai, Ching-Chung (Foundation)																						
Director	Wang, Hsun-Hui																						
Director	Cheng, Hsi-Yi																						
Independent Director	Pei, Min-Li																						
Independent Director	Wu, Su-Huan																						
Independent Director	Chen, Hung-Shou																						
* Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided to a company as mentioned in the financial statements (e.g. serving as a consultant not as an employee): None																							

* Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided to a company as mentioned in the financial statements (e.g. serving as a consultant not as an employee): None

Note: The chairperson and general manager was staffed with a chauffeur and was paid in the recent year, as the aggregate total of salary, overtime pay, evaluation incentive, remuneration to an employee, amounting to NTD1,034,850.

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies shown in the financial report (note 9) H	The Company (Note 8)	All companies shown in the financial report (note 9) I
> NTD2,000,000	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-Yi; Pei, Min-Li; Wu, Su-Huan; Chen, Hung-Shou	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-Yi; Pei, Min-Li; Wu, Su-Huan; Chen, Hung-Shou	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-Yi; Pei, Min-Li; Wu, Su-Huan; Chen, Hung-Shou	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-Yi; Pei, Min-Li; Wu, Su-Huan; Chen, Hung-Shou
NTD2,000,000 ~ NTD5,000,000 (exclusive)	Wang, Hsun-Sheng	Wang, Hsun-Sheng		
NTD5,000,000 ~ NTD10,000,000 (exclusive)			Wang, Hsun-Sheng	
NTD10,000,000 ~ NTD15,000,000 (exclusive)				Wang, Hsun-Sheng
NTD15,000,000 ~ NTD30,000,000 (exclusive)				
NTD30,000,000 ~ NTD50,000,000 (exclusive)				
NTD50,000,000 ~ NTD100,000,000 (exclusive)				
> NTD100,000,000				
Total	7 persons	7 persons	7 persons	7 persons

Note 1: Directors' names should be presented separately (for corporate shareholders, state separately the name of the corporate shareholder and its representatives); the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (3-1) or (3-2).

Note 2: Refers to Director's remuneration in the latest year (including salaries, work subsidies, severance pay, various bonuses and incentives etc).

Note 3: Please fill in the amount of remuneration to directors resolved in the most recent board meeting.

Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration.

Note 5: Remunerations received by directors who have also worked in the capacity as employees (including the position of President,

Vice President, managers, and employees), including, salaries, subsidies, severance pay, bonus, awards, traveling subsidy, special subsidy, different forms of subsidies, accommodation, company car, and other supplies in kind. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2, "Share-Based Payment", including ESO, RS, and participation in subscription of new shares for raising capital, etc.

- Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.
- Note 7: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Directors.
- Note 8: The amount of remuneration made by The Company to each Director is disclosed separately in amount ranges.
- Note 9: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.
- Note 10: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 11: a. This field must state any form of remuneration the Director has received from The Company's invested businesses other than subsidiaries. b. For Directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I of the Remuneration brackets table. Change the name of column J to "All invested businesses". c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

2. Supervisors' remuneration: Not applicable

3. President's and Vice Presidents' remuneration (name is disclosed in the respective column of the Range of Remuneration Table according to the lump sum payment method)

Unit: NTD thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		The Company	All companies shown in the financial report (note 5)	The Company	All companies shown in the financial report (note 5)	The Company	All companies shown in the financial report (note 5)	The Company		All companies shown in the financial report (note 5)		The Company	All companies shown in the financial report (note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Wang, Hsun-Sheng	12,549	15,949	560	668	2,454	3,654	453	0	604	0	5.15%	6.81%	0
Vice President	Sun, Yin-Nan													
Vice President	Hsieh, Chun Ju													
Vice President	Tsai, Kuo-Chang													
Vice President	Wu, Chih-Yung													
Vice President	Hsu, Shou-Chung													
Vice President	Li, Pao-Chen													

Note: The vice general manager was staffed with a chauffeur and was paid in the recent year, as the aggregate total of salary, overtime pay, evaluation incentive, remuneration to an employee, amounting to NTD739,723.

Note: Vice general managers Hsieh Chun-Ju, Wu Chih-Yung took tenure of office on June 1, 2017 and vice general manager Li Pao-Chen was discharged on June 1, 2017.

* Disregarding the position titles, those in the positions equivalent to the general manager, vice general manager (e.g. president, Chief Executive Officer (CEO), chief inspector...) shall be disclosed in full.

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company (Note 6)	All companies shown in the financial report (Note 7) E
> NTD2,000,000	Sun, Yin-Nan; Li, Pao-Chen	Li, Pao-Chen
NTD2,000,000 ~ NTD5,000,000 (exclusive)	Wang, Hsun-Sheng; Hsieh, Chun Ju; Tsai, Kuo-Chang; Wu, Chih-Yung; Hsu, Shou-Chung	Wang, Hsun-Sheng; Sun, Yin-Nan; Hsieh, Chun Ju; Tsai, Kuo-Chang; Wu, Chih-Yung; Hsu, Shou-Chung
NTD5,000,000 ~ NTD10,000,000 (exclusive)		
NTD10,000,000 ~ NTD15,000,000 (exclusive)		
NTD15,000,000 ~ NTD30,000,000 (exclusive)		
NTD30,000,000 ~ NTD50,000,000 (exclusive)		
NTD50,000,000 ~ NTD100,000,000 (exclusive)		
> NTD100,000,000		
Total	7 persons	7 persons

- Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (1-1) or (1-2).
- Note 2: Refers to salaries, work subsidies, and severance pay made to the General manager and Vice Presidents in the latest year.
- Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2, "Share-Based Payment", including ESO, RS, and participation in subscription of new shares for raising capital, etc.
- Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's President/Vice Presidents.
- Note 6: The amount of remuneration made by The Company to its President/Vice Presidents is disclosed separately in amount ranges.
- Note 7: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and disclose the names of these Presidents and Vice Presidents in relevant brackets along the scale of remunerations.
- Note 8: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 9: a. this field must state any form of remuneration the President and Vice President have received from The Company's invested businesses other than subsidiaries. b. For President/Vice Presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column E of the Remuneration brackets table. Change the name of column E to "All invested businesses". c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries. * The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

4. Name of the managers received remuneration and the distribution of remuneration

December 31, 2017; Unit: NTD thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	President	Wang, Hsun-Sheng	—	941	941	0.3%
	Vice President	Sun, Yin-Nan				
	Vice President	Hsieh, Chun Ju				
	Vice President	Tsai, Kuo-Chang				
	Vice President	Wu, Chih-Yung				
	Vice President	Hsu, Shou-Chung				
	Vice President	Li, Pao-Chen				
	Managers,	Lin, Teng-Pao				
	Managers,	Chao, Te-Feng				
	Managers,	Huang, I-Chun				

Note: Vice general managers Hsieh Chun-Ju, Wu Chih-Yung took tenure of office on June 1, 2017 and vice general manager Li Pao-Chen was discharged on June 1, 2017.

Note 1: The name and job title of each individual should be disclosed; however, the distribution of earnings can be disclosed aggregately.

Note 2: Please fill in the remuneration amount to the managers resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall

be the net income after taxation of individual entities or individual financial statements.

Note 3: According to Notice Tai-Tsai-Cheng-3-0920001301 dated 27 March 2003, the following managerial roles are subject to reporting:

- (1) The general manager and those in the equivalent rank; (2) Vice general manager and those in the equivalent rank; (3) Assistant manager and those in the equivalent rank; (4) Treasurer of Department of Finance; and (5) Head of the Accounting Department
- (6) Any other authorized signatories involved in The Company's administrative affairs

Note 4: If the Directors, President, and Vice President have received remuneration (including stock and cash), in addition to filling out Attachment 1.2, this form must be filled out too.

(IV) Respective comparative explanation about the Company and all companies covered within the consolidated financial statements, with analysis and explanation of the ratio of the remunerations paid to the Company's directors and supervisors, general manager and vice general manager out of the net profit after tax in the respective and individual financial statements, with remarks about the remuneration policy, criteria and composition, procedures to fix the remuneration, the interrelationship with the business performance and future risks:

1.

Item \ Year	The Company		All companies covered within the consolidated financial statements	
	As a percentage of net profit after tax %		As a percentage of net profit after tax %	
	2016	2017	2016	2017
Directors' remuneration	1.86	2.36	1.84	2.39
Supervisors' remuneration	0.36	0	0.35	0
President's and Vice Presidents' remuneration	3.46	5.15	4.71	6.81

Descriptions: In 2017 for the Company and all companies covered within the consolidated financial statements, the aggregate total remuneration paid the general manager and vice general manager increased over 2016 in terms of ratio out of the net profit after tax in the respective or individual financial statements. The reason: The position of vice general manager was additionally staffed in 2017.

2. Remuneration policy for the directors, general manager and vice general manager: The remuneration to the Company's directors was fixed based on Article XX of the Company's Articles of Incorporation: For remuneration to the chairperson, directors, the chairperson is bestowed with plenipotentiary power to fix the amount based on the extent of their participation in the Company's business operation, their contribution with reference to the level of the horizontal trades. The Company's Articles of Incorporation specifies in Article XXXII: With the profit earned by the Company in a year, a sum within 3% maximum shall be appropriated as remuneration to the directors, general manager and vice general manager. The remunerations shall be granted in accordance with the Company's "Regulations Governing Management over Salaries for Employees", the level of contributions of the positions within their responsibilities and powers and the Company's business targets, with reference to the salary levels of the equivalent positions in the horizontal trades. In terms of procedures to fix remunerations, remuneration to directors is granted in accordance with the Company's "Regulations Governing Payment of Salaries & Remunerations to Directors and Functional Committee Members", and remuneration to the general manager and vice general manager is duly granted in accordance with "Regulations Governing Management over Salaries to Employees" and "Registry Management over Performance by Employees". Other than references to the Company's overall business operation performance, future operating risks and development trends, the Company grants rational remuneration with reference to the individual performance accomplishment and level of contribution to the Company. The Company also grants relevant performance evaluation outcome and rationality of the remuneration, which have been duly checked and verified by the Remuneration Committee and the Board of Directors, with reference to the substantial performance and laws and ordinances concerned

with reassessment in real time to assure sound balance between the Company's sustainable development and risk control.

III. Corporate governance:

(I) Facts about performance by the board of directors:

In the most recent year, the board of directors convened six (6) meetings (A). The participation facts of the directors and supervisors are enumerated below:

Title	Name	Actual attendance B	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remarks
Chairperson	Wang, Hsun-Sheng	6	0	100%	N o n e
Director	Wang, Hsun-Hui	4	2	67%	None
Director	Cheng, Hsi-Yi	5	0	83%	None
Director	Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung	6	0	100%	None
Independent Director	Pei, Min-Li	6	0	100%	None
Independent Director	Wu, Su-Huan	5	1	83%	None
Independent Director	Chen, Hung-Shou	6	0	100%	None

Facts of participation in the board of directors meeting by the independent directors in 2017						
◎: Participation in person; ☆: Participation through a proxy; *: Absent						
2017	March 8	May 11	June 12	August 9	November 13	December 26
Pei, Min-Li	◎	◎	◎	◎	◎	◎
Wu, Su-Huan	◎	◎	☆	◎	◎	◎
Chen, Hung-Shou	◎	◎	◎	◎	◎	◎

Other remarks:

- For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(1) Facts required under Article 14~3 of the Securities and Exchange Act:

The 6th board of directors meeting of Session XXIII convened on March 8, 2017:

Key points of the issue:

- ① Remuneration to the directors and to the employees in 2016.
- ② Method to grant remuneration to the directors and to the employees in 2016
- ③ Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.
- ④ Proposal for partial amendment to the "Procedures for the Acquisition or Disposal of Assets"

Independent directors' opinions: None.

Acts taken by the Company in response to Independent directors' opinions: None.

Final decision resolved:

- ① Where the Company's chairperson concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
- ②, ④ The issue was resolved exactly as proposed by all present directors in full.
- ③ Where the Company's chairperson is concurrently chaired by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.

The 7th board of directors meeting of Session XXIII convened on May 11, 2017

Key points of the issue:

- ① It is proposed that the Company's "Management over Meeting Affairs of the Board of Directors" and "Management over Operation of the Remuneration Committee" under the Enforcement Rules for

- Internal Control System and Internal Audit be partially amended.
Independent directors' opinions: None.
Acts taken by the Company in response to Independent directors' opinions: None.
Final decision resolved:
① The issue was resolved exactly as proposed by all present directors in full.
The 9th board of directors meeting of Session XXIII convened on August 9, 2017
Key points of the issue:
① The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan
Independent directors' opinions: None.
Acts taken by the Company in response to Independent directors' opinions: None.
Final decision resolved:
① Where the Company's chairperson is concurrently chaired by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
The 10th board of directors meeting of Session XXIII convened on November 13, 2017
Key points of the issue:
① It is proposed that the Company's "Management over Meeting Affairs of the Board of Directors" and "Management over Operation of the Audit Committee" under the Enforcement Rules for Internal Control System and Internal Audit be partially amended.
Independent directors' opinions: None.
Acts taken by the Company in response to Independent directors' opinions: None.
Final decision resolved:
① The issue was resolved exactly as proposed by all present directors in full.
The 11th board of directors meeting of Session XXIII convened on December 26, 2017
Key points of the issue:
① The issue to grant performance evaluation incentive award to the managerial officers in 2017
Independent directors' opinions: None.
Acts taken by the Company in response to Independent directors' opinions: None.
Final decision resolved:
① Where the Company's chairperson concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
(2) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintain a qualified opinion with record or documented declaration in a decision resolved by the board of directors: Such fact is nonexistent in the Company.
2. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:
(1) The 6th board of directors meeting of Session XXIII convened on March 8, 2017
Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.
Key points of the issue:
① Remuneration to the directors and to the employees in 2016.
② Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.
Causes of withdrawal from conflict involvement and participation in the voting process:
① Where the Company's chairperson concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
② Where the Company's chairperson is concurrently chaired by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
(2) The 9th board of directors meeting of Session XXIII convened on August 9, 2017
Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.
Key points of the issue: The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan
Causes of withdrawal from conflict involvement and participation in the voting process:
Where the Company's chairperson concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.
(3) The 11th board of directors meeting of Session XXIII convened on December 26, 2017
Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.
Key points of the issue: The plan to grant performance evaluation incentive award to managerial officers in 2017
Causes of withdrawal from conflict involvement and participation in the voting process:
Where the Company's chairperson concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without objection.

3. The targets to enhance the board function performance of the board of directors in the current year and recent year (e.g., setup of Audit Committee, upgrade of information transparency) and evaluation of the enforcement: In an effort to enhance the board function performance of the board of directors, the Company has duly enacted the "Specifications to govern meeting affairs of the Board of Directors" as the grounds. Besides, the Company has set up the Remuneration Committee to evaluate and reassess of the Company's remuneration policy and system. The present issue is, therefore, duly proposed to the board of directors. In the very principle for transparent business operation with focus on shareholders' equity, the Company, on a regular basis, duly promulgates financial update and relevant significant issues into the Market Observation Post System (MOPS) and the Company's website.

(II) Fact of performance by the Audit Committee or fact about the supervisors in participation in the operation of the Board of Directors:

Information of performance by the Audit Committee

In the recent year, the Company's Audit Committee convened a total of six (6) meetings (A) where the facts of participation by the independent directors are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Independent Director	Pei, Min-Li	6	0	100%	None
Independent Director	Wu, Su-Huan	5	1	83%	
Independent Director	Chen, Hung-Shou	6	0	100%	

Other remarks:

1. Where any one among those enumerated below exists as the performance by the Audit Committee, the date, term, contents of agenda, outcome of the decision resolved in the Audit Committee as well as the Company's opinions toward the Audit Committee's opinions should be expressly remarked:

(1) Issues required under Article 14~5 of the Securities and Exchange Act:

The 6th board of directors meeting of Session XXIII convened on March 8, 2017

Key points of the issue:

- ① Issues of the Company's billion report and final account settlement of 2016.
- ② Issue of distribution of earning of 2016.
- ③ Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.
- ④ Declaration of Internal Control System in 2016
- ⑤ Proposal for partial amendment to the "Procedures for the Acquisition or Disposal of Assets"

Outcome of the decision resolved in the Audit Committee (March 8, 2017): ① ~ ⑤ The issue was duly resolved by all Audit Committee members in full amidst the unanimous accord.

Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.

The 7th board of directors meeting of Session XXIII convened on May 11, 2017

Key points of the issue: It is proposed that the Company's "Management over Meeting Affairs of the Board of Directors" and "Management over Operation of the Remuneration Committee" under the Enforcement Rules for Internal Control System and Internal Audit be partially amended.

Outcome of the decision resolved in the Audit Committee (May 11, 2017): The issue was duly resolved by all Audit Committee members in full amidst the unanimous accord.

Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.

The 9th board of directors meeting of Session XXIII convened on August 9, 2017

Key points of the issue:

- ① The Consolidated Financial Statements of the Second Quarter, 2017
- ② The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan

Outcome of the decision resolved in the Audit Committee (August 9, 2017): ① ~ ② The issue was duly resolved by all Audit Committee members in full amidst the unanimous accord.

Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.

The 10th board of directors meeting of Session XXIII convened on November 13, 2017

Key points of the issue:

- ① The Company's Internal Audit Plan for 2018

② It is proposed that the Company's "Management over Meeting Affairs of the Board of Directors" and "Management over Operation of the Audit Committee" under the Enforcement Rules for Internal Control System and Internal Audit be partially amended.

Outcome of the decision resolved in the Audit Committee (November 13, 2017): ① ~ ② The issue was duly resolved by all Audit Committee members in full amidst the unanimous accord.

Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.

(2) Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: Such fact is nonexistent in the Company.

2. Fact of withdrawal from conflict involvement by the independent directors about the issues: Should expressly the names of independent directors, contents of the issues, causes of withdrawal from conflict involvement and fact of participation in voting process: Such fact is nonexistent in the Company.

3. Facts of communications by and between independent directors and Internal Audit Head as well as Certified Public Accountant(s) (should include issues regarding the Company's finance, financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof).

(1) Methods of communications by and between independent directors and Internal Audit Head as well as Certified Public Accountant(s):

① Methods of communications by and between independent directors and Internal Audit Head:

a. The Internal Auditor Head holds a regular meeting with all independent directors (along with the Audit Committee) at least on a quarterly basis for a two-way communications about the performance of the internal audit and internal control system. Whenever a condition arises, the Internal Auditor Head would report to the Audit Committee in real time.

b. After the audit report and submittal to the chairperson, the Internal Auditor Head would submit the reports to the Audit Committee and independent directors by means of e-mail for perusal on a monthly basis.

② The method of communications by and between both parties the independent directors and the Certified Public Accountants:

The independent directors and the Certified Public Accountants hold a regular meeting at least on an annual basis. The Certified Public Accountants would report to the independent directors about the Company's financial statements, financial and overall performance by the overseas subsidiaries, facts on audit or perusal of the financial statements and performance in internal control system. On the fact with or without a need for significant adjustment and request with or without an impact, they would conduct adequate communications. Whenever a significant abnormality is found, a meeting would be convened in real time.

(2) Summary about the facts of two-way communications by and between the independent directors and the Internal Audit Head.

Date	Very highlights of communications
March 8, 2017	① Submittal of the report about the outcome of self-performance in internal control system 2016. ② Report about the performance in internal audit.
May 11, 2017	① Tracing report about corrective action taken in response to defects found in the audit process. ② Descriptions of the submittal by the managerial officers of the amendment to parts of the terms and conditions in the Internal Control System focusing on "Management on meeting affairs by the board of directors" and "Management over performance of the remuneration Committee".
August 9, 2017	① Report about the performance in internal audit. ② Descriptions about the supervisory audit items, audit procedures and planning over subsidiaries in China.
November 13, 2017	① Descriptions about the outcome of supervisory audit over the subsidiaries in China, corrective actions taken in response to the defects found and the tracing report thereof. ② Submittal of the report about the outcome of risk evaluation and enactment of the internal audit plan for 2018.

(3) Summary of two-way communications by and between the independent directors and the Certified Public Accountants

Date	Very highlights of communications
March 8, 2017	Explanation and communications about the key points found in the Company's consolidated financial statement and individual financial statement of 2016 regarding

(III) Performance in corporate governance and the differential gap between corporate governance and Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the cause thereof:

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
I. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	v		Through the Company's board of directors, the Corporate Governance Best-Practice Principles were duly enacted on November 12, 2014. Further on November 13, 2017 & March 13, 2018, the Corporate Governance Best-Practice Principles were duly amended and updated, and duly exposed through the Company's website http://www.ccpq.com.tw . Investors' special zone → corporate governance, information declaration website designated by the competent authority in charge of the securities	Without a significant difference.
II. Shareholding structure and shareholders' equity (1) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? (3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties? (4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	v		(1) The Company has duly set up spokesperson system, specially assigned personnel for equity affairs and shareholder services agent to jointly serve proposals posed by shareholders and respond to shareholders about their questions and relevant issues. Such issues that involve statutory problems or a dispute, litigation shall be referred to Attorneys-at-Law. (2) The Company firmly grasps all the time the shareholding facts by directors, managerial officers and key shareholders holding more than 10% of the total shares. The Company duly declares such facts based on the laws and ordinances concerned. After the Company duly convenes shareholders' meeting, completes ex-dividend, ex-right affairs and discontinues stock transfer, the Company grasps the list of key shareholders and the final controllers based on the register of shareholders provided by the shareholder services agent. (3) Exactly in accordance with the laws and ordinances concerned, the Company has faithfully completed the risk evaluation amidst the affiliated enterprises and has duly set up firewalls. In terms of substantial enforcement, the has duly enacted "Operating Procedures for Management over Transactions with Related Parties" and has duly regulated the input, output transactions, pecuniary transactions, endorsements/guarantees and granting of loans among the affiliated enterprises. Regarding supervisory monitoring over subsidiaries, amidst the Company's internal control system, the Company has duly enacted "Operating procedures of internal control system for supervisory monitoring over subsidiaries". The Company has covered supervisory affairs over subsidiaries into items of the Company's internal control system to put into implementation thoroughly the sound mechanism of control over subsidiaries. (4) The Company has duly stipulated "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" and "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and such internal norms. The Company expressly bans inside personnel from using the information undisclosed to public but known to them into inside trading and further bans them from divulging such confidential information to others to prevent other people from using undisclosed information to engage in inside trading. The details of the operating are disclosed through the Company's website http://www.ccpq.com.tw Investors' special zone → corporate governance.	Without a significant difference.
III. The constitution and obligations of the board of directors (1) Will the Board of			(1) As expressly provided for in Article 20 of the Company's "Corporate Governance Best-Practice Principles" and Article 3 of "Regulations Governing Election of Directors", the director members should be under diversified, comprehensive composition	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies																																																																
	Yes	No	Summary description																																																																	
<p>Directors have diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have another functional committee set up voluntarily?</p> <p>(3) Will the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?</p> <p>(4) Does the Company evaluate certifying Certified Public Accountants to make sure whether they are independent?</p>	v		<p>and shall work out diversified, comprehensive and multifaceted policies regarding their own business operation, business types and requirements in future development with very key points focusing on gender, ages, nationalities and cultures and shall possess expertise and know-how, skills and attainment required for business performance. At the moment, the Company's incumbent directors hold the professional backgrounds covering economics, pharmaceuticals, business administration, applied chemistry, virtually satisfactory to the requirements in diversified, comprehensive and multifaceted requirements. Both the Corporate Governance Best-Practice Principles and Regulations Governing Election of Directors are disclosed through the Company's website http://www.ccpq.com.tw Investors' special zone → corporate governance.</p> <p>Performance regarding whether the composition of the board of directors meet the requirements of diversification:</p> <table><tr><th>The very core items in diversification Name of director</th><th>Gender,</th><th>Operating management</th><th>Leadership in policymaking process</th><th>Expertise know-how on business</th><th>Finance and accounting</th><th>Laws</th><th>Marketing</th></tr><tr><td>Wang, Hsun-Sheng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr><tr><td>Wang, Hsun-Hui</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td></td></tr><tr><td>Cheng, Hsi-Yi</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td></td></tr><tr><td>Tsai, Ching-Chung</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td></tr><tr><td>Pei, Min-Li</td><td>Female</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td></td></tr><tr><td>Wu, Su-Huan</td><td>Female</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td></td></tr><tr><td>Chen, Hung-Shou</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td></tr></table> <p>(2) Exactly as required by law, the Company has duly set up Remuneration Committee and Audit Committee. The Company's Articles of Incorporation have expressly provided as well that the Company may set up other functional committees. In the future, given the purposes for wholesome and sound supervisory function to strengthen the managerial function and to live up to requirements by law, the Company will set up other functional committees as necessary.</p> <p>(3) To date, the Company has not yet stipulated Regulations Governing Evaluation over Performance by the Board of Directors. The Company will duly enact such regulations in the future in response to business need and requirements by law.</p> <p>(4) Pursuant to the "Corporate Governance Best-Practice Principles" stipulated by the Company, the Company shall assess and evaluate the independence of the Certified Public Accountants retained on a regular basis every year. On November 13, 2017, through the 6th meeting of Session one of the Audit Committee and the 10th meeting of Session XXIII of the Board of Directors, the issue to assess Certified Public Accountants' independence was officially</p>	The very core items in diversification Name of director	Gender,	Operating management	Leadership in policymaking process	Expertise know-how on business	Finance and accounting	Laws	Marketing	Wang, Hsun-Sheng	Male	V	V	V	V			Wang, Hsun-Hui	Male	V	V	V				Cheng, Hsi-Yi	Male	V	V	V				Tsai, Ching-Chung	Male	V		V				Pei, Min-Li	Female	V			V	V		Wu, Su-Huan	Female	V			V	V		Chen, Hung-Shou	Male	V	V				V	Without a significant difference.
The very core items in diversification Name of director	Gender,	Operating management	Leadership in policymaking process	Expertise know-how on business	Finance and accounting	Laws	Marketing																																																													
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Tsai, Ching-Chung	Male	V		V																																																																
Pei, Min-Li	Female	V			V	V																																																														
Wu, Su-Huan	Female	V			V	V																																																														
Chen, Hung-Shou	Male	V	V				V																																																													

Assessment items	Actual governance				Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies																												
	Yes	No	Summary description																														
			resolved. As evaluated, the Company's attesting Certified Public Accountants have not served as a director of the Company, are not a shareholder of the Company and nor have they been salaried in the Company. The attesting Certified Public Accountants are independent in attribute without any doubt. The procedures for evaluation are enumerated below:																														
			<div>The independence and competence of the Company's attesting Certified Public Accountants.<table><tr><th>Assessment items</th><th>Yes</th><th>No</th><th>Remarks</th></tr><tr><td>Having the attesting Certified Public Accountants not served with the Company, or not been a director or supervisor, independent director or managerial officer, of an affiliated enterprise of the Company?</td><td>V</td><td></td><td></td></tr><tr><td>Are the attesting Certified Public Accountants a shareholder of the Company or an affiliated enterprise?</td><td>V</td><td></td><td></td></tr><tr><td>Are the attesting Certified Public Accountants salaried in the Company or an affiliated enterprise?</td><td>V</td><td></td><td></td></tr><tr><td>Have the attesting Certified Public Accountants not rendered auditing services to the Company for seven years in a row?</td><td>V</td><td></td><td></td></tr><tr><td>Have the attesting Certified Public Accountants verified that their Certified Public Accountant Office has duly complied with the relevant independence specifications?</td><td>V</td><td></td><td></td></tr><tr><td>Has a Co-Certified Public Accountant serving with the attesting Certified Public Accountant Office served with the Company as a director or supervisor, managerial officer or a position with significant impact upon the audit cases within one (1) year from quitting the Certified Public Accountant Office?</td><td>V</td><td></td><td></td></tr></table></div>			Assessment items	Yes	No	Remarks	Having the attesting Certified Public Accountants not served with the Company, or not been a director or supervisor, independent director or managerial officer, of an affiliated enterprise of the Company?	V			Are the attesting Certified Public Accountants a shareholder of the Company or an affiliated enterprise?	V			Are the attesting Certified Public Accountants salaried in the Company or an affiliated enterprise?	V			Have the attesting Certified Public Accountants not rendered auditing services to the Company for seven years in a row?	V			Have the attesting Certified Public Accountants verified that their Certified Public Accountant Office has duly complied with the relevant independence specifications?	V			Has a Co-Certified Public Accountant serving with the attesting Certified Public Accountant Office served with the Company as a director or supervisor, managerial officer or a position with significant impact upon the audit cases within one (1) year from quitting the Certified Public Accountant Office?	V		
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4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders' meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders' meeting)?	V		<div>The Company has assigned the Department of Finance to concurrently serve as the key unit to take charge of corporate governance affairs and has further assigned the financial manager who has accumulated hands-on experiences in financial management for over three (3) years to assume the responsibility of the supervisory duty.</div> <div>Facts about performance in corporate governance:</div> <div>(1) Stipulation of the Corporate Governance Best-Practice Principles: The first amendment on December 27, 2016 as duly resolved by the board of directors on December 29, 2016 as duly promulgated onto the enterprise remark electronic document "regulations & systems" and duly disclosed onto the Company's official website.</div> <div>(2) With the outcome of implementation of evaluation over corporate governance, strengthening efforts and measures shall be put into preferential implementation on the items for which the corrective action has not been satisfactorily completed. Such preferential implementation has been put into enforcement step-by-step.</div>																														
5. Has the Company set up sound channels for communications with the interested parties	V		1. Shareholders, correspondent banks and other creditors: In the open and faithful principle, the Company provides finance, business related information in real time to enable them to get fully aware of the Company's substantial business performance.																														

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(including but not limited to shareholders, employees, customers and suppliers) and has the Company set up interested parties related region in its website?			<p>2. Suppliers in business: The designated departments and personnel are assigned to take charge of communications, coordination and contact with them all. Both sides have had very sound interactions.</p> <p>3. Employees: The Company highly encourages the entire staff to communicate with the management level directly. Further through the sound channels and platforms including meetings on a regular basis, interchange forums for interchange with employees, corporate electronic journals, the entire employees have been fully aware of the Company's business performance. Conditions, policies of business operation, and timely response to the employees about their needs?</p>	
Designated personnel zone. Have the department(s) and personnel responded to interested parties about the key issues under their concern and Corporate Social Responsibility (CSR) related issues in an appropriate manner?			<p>4. Investors and general public in the society: The Company has duly set up official website to assure adequate disclosure of the Company's business performance and finance related information. The Company is in adequate expression about the Corporate Social Responsibility (CSR).</p> <p>5. In the Company's website, we have set up a special zone aiming at interested parties. That zone contains explanation about the key issues of public concern. The Company has further provided coordinators (contact persons) for a variety of special issues to set up sound channels for communications with the interested parties. Whenever an interested party develops any problem, he or she may contact the Company at any time and the Company will settle the issue and respond to the proposing interested party in real time as well. The way of access to the Company's special zone for interested parties: Input the Company's website http://www.ccpq.com.tw and click the special zone for interested parties.</p> <p>6. The Company has completed compilation of Corporate Social Responsibility (CSR) Report for 2016 wherewith the Company offered description in detail regarding key Corporate Social Responsibility (CSR) issues. That Report has been set up at the Company's website to enable the interested parties and general public investors to properly understand the key issues concerned.</p>	
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	v		The Company has served shareholders' meeting related issues through shareholder services agent. As officially resolved by the board of directors on June 12, 2017, the Company replaced the shareholder services agent of KGI Securities Co. Ltd. into shareholder services agent of Fubon Securities Co., Ltd. to take charge of shareholders' meeting related issues.	Without a significant difference.
<p>7. Disclosure of information</p> <p>(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?</p> <p>(2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar</p>		v	<p>(1) The Company's financial information, corporate governance related information have been disclosed through the Company's website http://www.ccpq.com.tw Investors' special zone.</p> <p>(2) Exactly as required by laws, the Company has disclosed relevant information through the Market Observation Post System (MOPS) either on a regular basis or from time to time on a nonscheduled basis. The Company has further assigned specially assigned personnel to take charge of collection and disclosure of such information to assure that the policymaking process related information that would have an impact on shareholders and interested parties could be disclosed in an appropriate manner in real time. Through the "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" stipulated by the Company, the Company has expressly specified setup and performance of the spokesperson system. Through the investors' special zone of the Company website, the Company provides link to the procedures of the juristic person explanation meeting. The Company has set up website in English wherewith the Company's financial information and corporate governance related information have been duly disclosed. http://www.ccpq.com.tw/index.aspx</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
program on the Company's website, etc.)?				
8. Does the Company have any other tips that would help better understand the operation of corporate governance and how important it is:			<p>1. Employees' interests, warm concern toward employees:</p> <p>(1) Toward planning of human resources related managerial systems, the Company has faithfully complied with the "Labor Standards Act" and the laws and ordinances concerned, and, exactly according to law, the Company has duly appropriated pension reserve funds into the Trust Department of Bank of Taiwan or into the specially designated (earmarked) accounts of employees for pensions.</p>	
The information (including but not limited to the interests to employees, warm concern toward employees, relationship with investors, interests of interested parties, higher education to directors and supervisors, risk management policies and implementation of risk measuring criteria, implementation of customer policies, the liability insurance procured by the Company for its directors and supervisors).	v		<p>(2) The Company provides multivariate channels for communications to assure that all employees oriented information could be transmitted in real time to enable employees to have their opinions and voices adequately submitted to be taken as the grounds for better performance in a variety of measures. The Company has set up "Employee Welfare Committee" where the Company offers relief allowances in case of an emergency, gift money for three Festivals (Chinese New Year, Dragon Boat Festival and Mid-autumn Festival), staff tourism allowances. Moreover, toward each and every employee, the Company purchases insurance policy against accident risks and offers health examinations with the Company fund.</p> <p>2. Relationship with investors: Through the Company's website http://www.ccp.com.tw, the Company has provided Investors' Special Zone to update a variety of financial information on a regular basis, discloses relevant information into the Market Observation Post System (MOPS) in real time to enable the general public investors to better understand the Company's business performance. Furthermore, through the shareholders' regular meetings, juristic person explanation meeting and the spokesman, the Company assures very sound communications with investors.</p> <p>3. Relationship with suppliers: The Company has been in business with suppliers for years and has maintained very close and pleasant ties with suppliers.</p> <p>4. Interests of the interested parties: The Company makes public the phone numbers and e-mail addresses of the spokesman (or acting spokesman) as well as shareholder services agent to take charge of issues and proposals linked up with shareholders and interested parties. Where an issue involves legal key point, that issue would be referred to the Attorney-at-Law to soundly assure interests of the interested parties.</p> <p>5. Statistics of higher education by the Company's directors and independent directors in 2017:</p> <p>(1) Chairperson - Wang Hsun-Sheng</p> <p>① Practice in Taxation Management Indispensable to Enterprises 3 hours</p> <p>② Trends and Challenges in Information Security Governance 3 hours</p> <p>(2) Director - Wang Hsun-Hui</p> <p>① Practice in Taxation Management Indispensable to Enterprises 3 hours</p> <p>② Trends and Challenges in Information Security Governance 3 hours</p> <p>(3) Director - Tsai Ching-Chung</p> <p>① Practice in Taxation Management Indispensable to Enterprises 3 hours</p> <p>② Trends and Challenges in Information Security Governance 3 hours</p> <p>(4) Director - Cheng Hsi-Yi</p> <p>① Practice in Taxation Management Indispensable to Enterprises 3 hours</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			② Trends and Challenges in Information Security Governance 3 hours (5) Independent director: Pei Min-Li ① Practice in Taxation Management Indispensable to Enterprises 3 hours ② Trends and Challenges in Information Security Governance 3 hours (6) Independent director: Wu Su-Huan ① Skills on Information Analysis into Software Application and Audit Practice 6 hours (7) Independent director: Chen Hung-Shou ① Practice in Taxation Management Indispensable to Enterprises 3 hours ② Trends and Challenges in Information Security Governance 3 hours	
			6. Risk management policies and performance in risk measuring criteria: Continually without interruption, the Company carries out risk management oriented managerial mode and sets up a sound risk management mechanism to assure early identification of a risk, accurate measurement of a risk and effective supervision and strict control over a risk to set up overall risk managerial system to assure that all potential risks would be controlled within the tolerable scope. Through the expert managerial consultant houses, we bring in optimal practice for risk management for continued corrective actions. The Company's Audit Department takes into account all potential risks that the Company's businesses might face up, either high or low, as the very grounds to map out the Company's annual audit programs. Routinely, whenever an abnormality is noticed in the auditing process, the competent department(s) and supervisory head(s) shall be notified forthwith with continued follow-up efforts until corrective action is satisfactorily accomplished and until the abnormality ceases to exist. 7. Implementation of the policies toward customers: The Company spares no effort to strive for innovation, research & development, services and upgrade of quality to promote the most advanced medical care, health-enhancement and services available to hospitals of all levels and to each and every household to be closely associated with human health. As the Company exerts effort in the policy to perfect human resources, manufacture of products, services, procedures and research & development, we earnestly hope to accomplish the highest efficacy and user satisfaction and to win added trust from all customers concerned. 8. The Company has procured liability insurance policies for all directors (including independent directors) and managerial officers. Such key issue was already reported in the 9 th meeting of Board of Directors in Session XXIII convened on August 9, 2017.	
9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures.				
Corrective actions having been satisfactorily accomplished in response to the outcome of corporate governance assessment:				
Target items in the assessment:			Rectification	
Did the Company upload it to the Annual Report in English version seven (7) days prior to the shareholders' regular meeting?			The Company already duly worked out Annual Report in English version 2016 in 2017 and uploaded it to the Market Observation Post System (MOPS) accessible to all shareholders seven (7) days prior to the shareholders' regular meeting 2017.	
Did the Company upload the notice to the shareholders' meeting in English version simultaneously thirty (30) days prior to the shareholders' regular meeting?			The Company already duly worked out notices to shareholders' regular meeting in English version in 2017 and uploaded it to the Market	

Assessment items	Actual governance		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	
			Summary description
			Observation Post System (MOPS) accessible to all shareholders thirty (30) days prior to the shareholders' regular meeting 2017.
Did the Company upload the Meeting Agenda Handbook and supplementary data for the meeting in English version simultaneously twenty-one (21) days prior to the shareholders' regular meeting?			The Company already duly worked out Meeting Agenda Handbook and supplementary data for the meeting in English version in 2017 and uploaded it to the Market Observation Post System (MOPS) accessible to all shareholders twenty-one (21) days prior to the shareholders' regular meeting 2017.
Did the Company simultaneously declare significant information in English?			Since the third quarter, 2016, the Company has declared significant information in English through the Market Observation Post System (MOPS) simultaneously.
Through the Annual Report, did the Company disclose discussions about the facts through macroeconomy and the trends where the Company's industry is in?			In the special part of "business performance in summary" of the Company's Annual Report 2016, the Company already made an overall disclosure about the facts through macroeconomy and the trends where the Company's industry is in.
Has the Company stipulated policies toward energy saving & carbon reduction, reduction in greenhouse gases, reduction in water consumption or other wastes?			The Company already set up relevant environmental managerial system and disclosed it in full through the Corporate Social Responsibility (CSR) Report 2015. The managerial targets were already disclosed it in full through the Corporate Social Responsibility (CSR) Report 2016.
Has the Company disclosed its fringe benefits for employees, retirement system and the enforcement thereof through the Company's Annual Report and website?			The Company has duly disclosed in full its fringe benefits for employees, retirement system and the enforcement thereof through the Company's Annual Report, website in the special zone of human resources.
The items based on the outcome of the corporate governance assessment with corrective actions having not been satisfactorily accomplished, and the measures which should be preferentially strengthened:			
Target items in the assessment:		Items and measures which call for preferential reinforcements:	
Has the Company been invited to (participating in its initiative) or convened two juristic person explanation meetings minimum?		Through sound evaluation and planning, the Company is to convene a minimum of two juristic persons explanation meetings in 2018.	
Has the Company disclosed integral financial statements (including both the financial statements and notes to financial statements) in English through the Company's website or Market Observation Post System (MOPS)?		The Company discloses financial statements in full in English exactly in accordance with need in business operation and requirements by laws.	

(IV) The composition, responsibilities and powers and performance rating of the Remuneration Committee:

1. Information on the members of the Remuneration Committee

1. Information on the members of the Remuneration Committee														
Identity (Note 1)	Qualification Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)								Number of other public companies where the members are also the members of the remuneration committee of these companies.	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Pei, Min-Li		V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Wu, Su-Huan		V	V	V	V	V	V	V	V	V	V	2	None
Independent Director	Chen, Hung-Shou			V	V	V	V	V	V	V	V	V	0	None

Note 1: Identity is known as director, independent director or others.

Note 2: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein.
- (8) Does not meet any descriptions stated in Article 30 of The Company Act.

2. Information on the operation of the Remuneration Committee

- (1) The Company's Remuneration Committee has three Committee members in total.
- (2) Tenure of office of Committee members in the current session: May 27, 2016 ~ May 27, 2019. In 2017, the Remuneration Committee convened meetings twice
(A). The qualifications and participation facts of the Committee members are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Convener	Pei, Min-Li	2	0	100%	None
Members	Wu, Su-Huan	2	0	100%	None
Members	Chen, Hung-Shou	2	0	100%	None

Other remarks:

1. Where the board of directors does not adopt or amend the proposal(s) posed by the Remuneration Committee: The Company shall expressly elaborate on the date, term while the board of directors meeting was convened, contents of the issues, outcome of decisions resolved in the board of directors and the Company's response to the opinions posed by the Remuneration Committee(For instance, if the salary pay resolved by the board of directors is higher than that proposed by the Remuneration Committee, the Company should elaborate on the fact of differential gap and the cause thereof): Such fact is nonexistent in the Company.
2. Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration, the Company shall expressly elaborate on the date, terms of the meeting convened by the Remuneration Committee, contents of agenda, opinions of all members and acts taken in response to such opinions: Such fact is nonexistent in the Company.

- (V) Facts in fulfillment of Corporate Social Responsibility (CSR): Continually without interruption, the Company provides medical care and health fitness services in very praiseworthy corporate image. Never has the Company recorded any fact against such praiseworthy corporate image.

Corporate Social Responsibility

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
<p>1. Implementation of sound corporate governance</p> <p>(1) Does the Company have the CSR policies or systems established and the implementation effect reviewed?</p> <p>(2) Does the Company have the CSR education and training arranged on a regular basis?</p> <p>(3) Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?</p> <p>(4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?</p>	v		<p>(1) Exactly as required by law, the Company has duly stipulated the "Corporate Social Responsibility Best Practice Principles" which were disclosed through the Company's website http://www.ccpq.com.tw (Investors' special zone → corporate governance). The Company spares no effort to help create sounder and more healthful lifestyle. This catch phrase "Taken from the society, give back to the society" represents the Company's commitment and policy toward the Corporate Social Responsibility (CSR). The Company highly encourages research & development on medical care services and pharmaceuticals and cultivation & training programs for such human resources with wholehearted efforts implementation of the Corporate Social Responsibility (CSR), through such efforts like setting up foundations, carrying out society-oriented health education programs, services toward communities, warm concern toward aging seniors and such public benefits as well as environmental safety & security. The Company founded Wang Min-Ning Memorial Foundation in 1990 wherewith we have put forth maximum possible efforts to promote development of pharmaceutical manufacture, offer incentive encouragements to professionals into academic research & development, extensively participate in a variety of public interests in the society, with extensive endeavors to enhance academic interchanges in pharmaceutical science between both sides of Taiwan Strait, tremendously manifesting the functions and contribution of the Wang Min-Ning Memorial Foundation. In the aspect of environmental protection, through all CCPC plant zones and business units, we put forth wholehearted effort to promote a variety of energy conservation measures through minimization of paper use, recycling of waste, reuse of recycled water and improvement of performance in air conditioning and illumination. In an effort to maximize utilization of a variety of resources and save costs, the Company has procured production machines in highest possible efficiency. In all plant zones, we have set up independent air pollution control devices and wastewater treatment facilities to satisfy the national control criteria in these aspects. In the days and years ahead, the Company shall, continually without an interruption, bring in other managerial mechanisms which will minimize the impact upon our environments, make positive contributions toward environmental protection. With corporate governance, amidst the Best-Practice Principles on Good Faith Management, we shall maintain transparent business operations as a means to safeguard interests of interested parties as the top guiding principle upon our business operation. For such purposes, we have stipulated sound and comprehensive rules governing internal management which will, in turn, assure that all business operations as conducted by the Company's board of directors would satisfy laws and ordinances concerned and assure wholesome mechanism of corporate governance. Toward future years, we shall continually implement Best-Practice Principles on Good Faith Management in concert with other CCPC guiding policies of "faithful & selfless performance with amicable mutual-support", "research & development day in and day out toward better well-being for the entire society". Through comprehensive, dedicated efforts we shall build CCPC into a healthy enterprise that is the most trustworthy company in the Chinese world. Under directions through the board of directors, all relevant units have implemented a variety of activities and programs. The contents and benefits so yielded are reported into the Company's board of directors. We have worked out statistics to reassess the substantial benefits in our implementation of the Corporate Social Responsibility (CSR) and, meanwhile, set up</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
			<p>targets for future efforts.</p> <p>We disclose contents of such reports onto the Company's website, accessible to the general public investors to come to awareness of our performance in Corporate Social Responsibility (CSR).</p> <p>(2) Every year, the Company has worked out sound educational & training programs. We have set up special duty oriented Human Resources Department to take charge of professional training programs and on-the-job general educational & training programs. Through the well planned educational & training programs, the arrange the Corporate Social Responsibility (CSR) curricula to enable the entire staff to be fully aware of the significance and importance of the Corporate Social Responsibility (CSR).</p> <p>(3) In terms of promotion and implementation in Corporate Social Responsibility (CSR), the Company has set up a special duty oriented unit in the title of "Corporate Social Responsibility Committee" which works out, proposes and implements corporate social responsibility related managerial policies and concrete programs. The Company completed stipulation of "Corporate Social Responsibility Best Practice Principles" in 2014. The Principles were partially amended in December 2016 as the first amendment and that amendment was officially resolved in the board of directors. In 2017, the Company duly worked out Corporate Social Responsibility Report of 2016 and reported to the board of directors about the very points of the Report. That Report is disclosed through the Company's website http://www.ccp.com.tw (Special Zone of Corporate Social Responsibility).</p> <p>(4) The Company's policy about remuneration to employees: Regarding the remuneration to employees, the Company's Articles of Incorporation expressly provides in Article XXXII: From the profit earned by the Company in a year, a sum ranging from 1% to 15% shall be appropriated as remuneration to employees and a sum within 3% maximum shall be appropriated as remuneration to directors and supervisors. Where the Company remains in an accumulated loss, the Company shall first retain the sum required to make up the loss. The remuneration to employees may be granted to employees of subordinate companies that satisfy the specified requirements. The salary structure of employees is devised based on attributes and position ranks of the duties, including base salary, allowances (allowances for position ranks, allowances for licenses/certificates, allowances as overtime pays, allowances for extraordinary working circumstances), incentive awards (incentives for performance, performance evaluations and special incentives). The base salaries are granted on a monthly basis to regular employees within the organization chart. The salary for extended services (overtime pay) is duly counted and granted in accordance with the Labor Standards Act and other laws and ordinances concerned. The business units grant performance incentive awards pursuant to accomplishment by employees under the specified targets. At end of every year, the Company evaluates employees about their performance, interactions with their supervisory heads, teamwork performance and accomplishment of assigned duties and grants year-end bonus accordingly. In case of extraordinary contributions, the Company would report to the chairperson for approval to grant extraordinary incentives. The Company's employees are duly granted a raise based on the rising consumer price index as the grounds for counting, with reference to the Company's profitability and outcome of the employees' performance evaluation. In 2016, the Company's employees were granted a raise at 5%. In 2017, other than the shareholding incentives granted by the Company, employees received a raise at approximately 3%.</p>	
<p>2. Development of a sustainable environment</p> <p>(1) Is the Company committed to enhance the utilization efficiency of resources</p>		v	<p>(1) Amidst the Company's policies to maximize efficiency of a variety of resources and minimize the costs, the Company under sound planning replaces and updates production machinery & equipment and retires heavy-energy consuming old machinery & equipment. Meanwhile, the Company properly designs environmental protection-oriented packaging. For all the Company's plants and offices, the</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
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<p>and use renewable materials that are with low impact on the environmental?</p> <p>(2) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p> <p>(3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?</p>			<p>Company continually implements a variety of energy conservation measures through, for instance, setup of electronic document systems, minimization of paper consumption, classified collection of wastes, reuse of recycled water, improvement in air conditioning and illumination efficiency. Through all such efforts, the Company endeavors toward sustainable development.</p> <p>(2) The Company's system toward environment management</p> <ol style="list-style-type: none"> 1. Prevention and control of water pollution: The Company already set up waste water disposal equipment for the Shin Fong Plant Zone where the Quality Assurance Department conducts sample check and inspection over the condition of water quality to make sure that all wastewater discharged is satisfactory with the related criteria. Both Taichung Plant Zone and Tainan Plant Zone are located inside industrial park areas where the wastewater is securely disposed through the water disposal machinery & equipment of the industrial park areas. 2. Prevention and control of exhaust gas pollution: Establishment of air pollution control machinery & equipment. 3. Industrial waste disposal: In all plant zones, the Company faithfully disposes industrial waste water exactly in accordance with the waste disposal programs by commission qualified professional environmental protection firms for professional disposal. Still, we faithfully trace and understand the final whereabouts of the industrial wastewater. 4. In both the Head Office and the respective plant zones, the Company has duly staffed special duty oriented personnel to take charge of promotion and implementation of environmental management and safety & health affairs. Such special duty oriented units: In the Head Office-Administrative Services Department. In respective plant zones-The Engineering & General Affairs Departments. <p>(3) The global climate change might incur acts of God or disaster by nature that might have a direct impact upon the Company's business operation. Besides, such climate change might, as well, lead to prevalence of diseases, rise of prices in bulk pharmaceutical chemicals (BPC) or even discontinuity in supply and such indirect impacts. Here at the Company, the Marketing Planning Department and Procurement Department seriously watch climate changes the world over and the updates of bulk pharmaceutical chemicals (BPC) supply, with sound analyses on the potential impact upon the Company's business operation and with sound countermeasures. As always, the Company has been serious about energy saving & carbon reduction and greenhouse gas reduction and put forth maximum possible efforts in energy saving & carbon reduction.</p> <ol style="list-style-type: none"> 1. Hands-on implementation of energy saving & carbon reduction: Through an overall implementation, we have duly set up electronic documentation system to minimize paper use and minimize printing through printers and copying machines. In the summer, we effectively control the room temperature to assure most effective possible use of energy to accomplish the goals of energy saving & carbon reduction. 2. Implementation in water use minimization: Here at the Company, we launch an overall adoption of and replace step-by-step into water conservation machinery & equipment to minimize water consumption. In respective plant zones, we have, step-by-step, installed waste water recycling machinery & equipment which recycle, and treat waste water for our multiple reuses of water resources. 3. Implementation of wastes: (1) We team up with long-term bulk pharmaceutical chemicals (BPC) suppliers to carry out containers and packaging materials retrieval, recycling and reuse programs. Through such mechanism for recycling and reuse of raw materials, we minimize the consumption of resources. (2) Disposal of waste by the Head Office and respective plant zones. The Company has set up resource reclassification sites and put into implementation thoroughly resource classification. All post-reclassification waste and resources are commissioned to 	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies																																						
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			qualified and professional environmental protection firms for sound disposal. (3) In the aspect of product packaging design, we try hard to summarize the design into environmental protection-oriented modes to minimize use of packaging materials. As far as possible, we recycle packaging materials into reuse to minimize the impact upon ecological environments.																																							
			<p>4. Implementation of greenhouse gases minimization: In all offices and plant zones, the Company firmly implements energy conservation measures and re-optimizes production process to minimize energy and minimize discharge of greenhouse gases. Statistics of discharges in greenhouse gases in the Company's key strongholds in 2016 and 2015</p> <table border="1"> <thead> <tr> <th>Scope</th><th colspan="2">Sources of discharge</th><th>Annual emission in 2016 Ton CO2e</th><th>Annual emission in 2015 Ton CO2e</th></tr> </thead> <tbody> <tr> <td rowspan="4">Scope I Direct emission</td><td rowspan="2">Fixed-site combustion</td><td>Fuel oil</td><td>5,615</td><td>4,884</td></tr> <tr> <td>Diesel</td><td>691</td><td>618</td></tr> <tr> <td rowspan="2">Mobile combustion</td><td>Diesel</td><td>4</td><td>7</td></tr> <tr> <td>None</td><td>0</td><td>0</td></tr> <tr> <td rowspan="2">Scope No. II Indirect emission of energies</td><td colspan="2">Emission in manufacturing process</td><td>---</td><td>---</td></tr> <tr> <td colspan="2">Dissipation & emission</td><td>---</td><td>---</td></tr> <tr> <td rowspan="2">Scope No. III Other indirect emission</td><td colspan="2">Not yet covered greenhouse gas inventory-check</td><td>---</td><td>---</td></tr> <tr> <td colspan="2">Total</td><td>16,083</td><td>14,192</td></tr> </tbody> </table> <p>Note: The greenhouse gas discharge volume of a variety of emission sources were counted with reference to the coefficients promulgated by the Environmental Protection Administration and the Bureau of Energy. In the days and years ahead the Company shall conduct greenhouse gas inventory-check to prevent a potential omission of an emission source. Based on the outcome of the inventory-check analyses, the Company shall implement relevant minimization plans as a faithful fulfillment of Corporate Social Responsibility (CSR).</p>	Scope	Sources of discharge		Annual emission in 2016 Ton CO2e	Annual emission in 2015 Ton CO2e	Scope I Direct emission	Fixed-site combustion	Fuel oil	5,615	4,884	Diesel	691	618	Mobile combustion	Diesel	4	7	None	0	0	Scope No. II Indirect emission of energies	Emission in manufacturing process		---	---	Dissipation & emission		---	---	Scope No. III Other indirect emission	Not yet covered greenhouse gas inventory-check		---	---	Total		16,083	14,192	
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	Yes	No	Summary description	
<p>3. Enforcement of social justice</p> <p>(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p> <p>(2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly?</p> <p>(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?</p> <p>(4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means.</p> <p>(5) Does the Company have an effective career capacity development training program established for the employees?</p> <p>(6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes?</p> <p>(7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms?</p> <p>(8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society?</p> <p>(9) Does the contract signed by the Company</p>	v		<p>(1) Toward hiring, employment and management over human resources, the Company, as always, duly complies with Labor Standards Act, Act for Gender Equality and other labor related laws and regulations. The Company has further stipulated Working Regulations. For promotion, assignment, performance management, salary management, performance evaluation incentives, retirement, training programs and the like, the Human Resources Evaluation Committee has stipulated managerial regulations.</p> <p>The Company's human right policies:</p> <p>(1) In an effort to safeguard employees in their fundamental human rights and create a working ambiance with adequate protection of human rights, the Company backs up and firmly support "Universal Declaration of Human Rights of the United Nations", "The UN Global Compact", "International UN Labor Organization Pact" and such human right pacts promulgated in the international community. Externally, the Company completely eradicates any acts and behaviors infringement upon or in contravention of human rights. Thanks to such sound policies and efforts, all in-house members and outside interested parties are treated in a fair and respectful terms. These are the key objectives behind stipulation of such policies.</p> <p>(2) The present policy is equally applicable to all CCPC subsidiaries, affiliates, juristic persons and foundations directly donated and set up by the Company and other organizations and juristic persons similar to a company.</p> <p>(3) In this well diversified CCPC family, under no circumstances shall an employee or any single person is under discrimination as a result of gender, sexual orientation, ethnic races, class, ages, marital status, languages, religion, partisanship, birthplaces, native places, appearance, physical organs, mentally and physically handicapping fact or union membership. The Company faithfully complies with gender equality related laws and ordinances. The Company does not hire a child worker, does not mistreat employees and assures fair and sound opportunities in hiring opportunities, salary pay, educational & training programs, performance evaluation and chances for promotion. Under such sound, fair and wholesome working ambiance, we further offer sound working conditions and grievance channels to speak up their complaints. Thanks to the efforts by and between the labor the management, CCPC is a respectful, safe, secure and equal working environment absolutely free of harassment.</p> <p>(4) Here at CCPC, we honor and support all employees to organize and join union(s). Amidst the harmonious working environment, we offer and back up sound and smooth channels for communications with the Union(s) and the employees, i.e., the Union members.</p> <p>(5) The Company has, exactly pursuant to the environment related laws and regulations enacted and promulgated by the nation, put forth maximum possible efforts to conserve national environments. During the process of sustainable development, we simultaneously accomplish the goals of sustainable environments.</p> <p>(6) In an attempt to safeguard customers, employees and all interested parties linked up with the Company's business operation in their privacy, we have set up sound and comprehensive managerial mechanism for information security. Besides, we commit ourselves to strict compliance with all control and safeguarding measures to assure their sound privacy. On such subject, we shall continually watch human right related issues and faithfully fulfill our responsibility with solid acts. Under such dedication, CCPC will become the most trustworthy enterprise in the Chinese communities throughout the world.</p> <p>(2) The Company has set up the Labor Committee and the Union that convene meetings on a regular basis. Inside the Company, we have set up sound platforms where employees may interchange among themselves. We provide employees with sound channels for the employees to communicate themselves. Through electronic</p>	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have significant impact on the environment and society?			document systems, we will transmit business operation related updates so that all employees are kept known about the Company's substantial performance in real time. In the special field for interested parties in the Company's website, we expressly disclose information through which employees can fully communicate themselves. We provide special mail box and phone number where we assign special duty oriented unit(s) or personnel to thoughtfully listen to employees about their grievance and complaints as well as their report of negative facts.	
			<p>(3) We provide employees with safe, sound and healthful working environments.</p> <p>To assure safety & health care and protection over employees, here in the Company, "Labor Safety & Health Committee" and safety & health supervisory heads and safety & health managerial members have been set up and staffed in all plant zones to conduct safety & health examinations on a regular basis and submitted the records of safety & health examinations to the Labor Inspection Institution of the Ministry of Labor. Besides, the Company arranges and sponsors safety & health oriented educational & training programs to assure sound working environments and employee health.</p> <p>The safety & health protection and health rendered to employees include:</p> <ol style="list-style-type: none"> 1. Procurement of dusk masks, helmets, footwear and gloves that are provided to all employees into use. 2. For hazardous machinery & equipment, the Company assigns qualified professional technicians to conduct maintenance & upkeep services and inspection on a regular basis and to take charge of routine operation and management. All such technicians receive higher educational & training programs under the Company's arrangement. 3. The Company sets up warehouses for hazardous substances that are under prudential management by special duty oriented colleagues who hold required licenses/certificates. 4. The Company sets up sound explosion-proof lights and blast-resistant doors as well as such high-tech facilities. 5. Under the Company's arrangements, all employees receive safety & health oriented educational & training programs on a regular basis. 6. On a regular basis, the Company takes charge of cleansing, inspection to assure security and firm performance of the entire environments and equipment. 7. All employees serving with all plant zones receive sound labor health examinations on an annual basis. 8. The Company provides sound channels readily available for grievance in case of a sexual harassment through phone number, fax number, grievance mailbox, e-mail. Besides, the Company further sets up "Workplace Sexual Harassment Grievance & Settlement Committee" which takes charge of investigation, settlement and evaluation of sexual harassment grievance cases. <p>(4) The efforts to set up sound mechanism to employees for communications on a regular basis.</p> <p>To assure harmonious labor relationship to enhance sound teamwork by and between the labor and management to maximize efficiency at work, the Company has set up unions for the respective plant areas. Those unions sponsor labor-management conferences in accordance with the Union Organizational Act. Inside the Company, we have set up "Employee Exchange Platforms" and "Mail Boxes for Opinions Heard in the Plant Zones" wherewith the entire staff members in the CCPC Family could speak out freely what they have in mind. Further through electronic document system, the Company transmits all messages and updates regarding business performance. Thanks for such efforts and facilities, the entire CCPC staff members are kept informed of the CCPC updates in real time. In case of a significant policymaking decisions regarding CCPC management, we would keep the entire staff members informed in real time through illustration or presentation meeting.</p> <p>(5) Cultivation & training programs for employees</p> <p>We have worked out sound cultivation & training programs for short-term (to lay foundation), mid-term (to grow) and long-term (to</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
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			further develop) for employees in various job positions to help employees boost productivity, product yield rate and team cohesion.	
			<p>1. In terms of short-term programs: (1) With reference to the outcome of performance evaluation rendered by all department heads and evaluation of technical systems, we evaluate employees in each and every position category in two capability items, i.e., professional skills and general know-how and the gaps of their actual expertise and the requirements. Accordingly we carry out reinforcement educational & training programs either inside or beyond CCPC. (2) On the grounds of the production, quality control and sales skills oriented to new products of a year, the Company would arrange relevant employees into the professional cultivation & training programs. (3) In response to machinery & equipment newly procured by the Company in a year, the Company would arrange relevant employees into the professional cultivation & training programs to help employees enhance their capability to operate and use such newly equipped machinery & equipment. (4) In response to a change in the laws and ordinances concerned inside the Company and identification of new literatures, the relevant staff members would be arranged into training programs either inside or beyond the Company.</p> <p>2. In terms of mid-term and long-term training programs: (1) On the grounds of the Company's vision and strategic maps, the Company would devise and launch general educational curricula in three phases in nine years for the reserve cadres and executive heads in various levels. The Company also arranges the staff members to receive in-house training programs for the special skills in various levels. (2) Exactly based on the short, mid- and long-term targets, the Company would map out sound plans for labor requirements. (3) The Company has executed contract with Yuan Ze University to sponsor two-phase special programs for EMBA Human Resources and Business Administration credits. (4) In an effort to reserve sound human resources on business administration and special skills as required by various units in the future, the Company offers and grants pecuniary subsidy to employees for higher educational & training programs at home and abroad exactly in accordance with "Regulations Governing Incentives Granted to Encourage Employees into Higher Education". (5) To meet the need for the Company's business operation ready to get geared with the international community, the Company sponsors training programs in English.</p> <p>(6) "We strive for better lifestyle for humans and into more secure and more healthful tomorrow through health-related products and services". Under such very essential corporate philosophy, we put forth maximum possible efforts to accomplish our utmost goals of "maximum possible satisfaction to customer", "quality first". Through our exclusive corporate website, we integrate all affiliated enterprises into a whole to render best possible services toward customers. We devise and provide special customer service lines and e-mails for human oriented products, health-care substances, health fitness items, animal health products, household articles, beauty makeup supplies and home nursing-care services. Through special duty oriented personnel, we render professional consultation services and thoughtful services in case of customer complaint issues. Through the special zone of interested parties amidst the Company's website, we disclose the information of the sound channels we provide to communicate with customers. We also provide complaint report mailbox where our special duty oriented personnel are assigned to serve customers in their grievance and complaint reports.</p> <p>(7) The pharmaceuticals manufactured by CCPC entirely differ from general food available in markets. For our products, we strictly check and verify in every level based on the strict laws. Such exceptional strict control process is equally applied toward our pharmaceutical packaging. For all our pharmaceuticals, the instruction leaflets, labels and packaging shall satisfy the requirements set forth under Article 75 of the Regulations for Registration of Medicinal Products and all</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
			entries shall be provided exactly in accordance with the items approved by the central government level competent authority in charge of health affairs. These facts explain why CCPC products are assured to 100% satisfactory to the government specifications, absolutely not in contravention of laws governing merchandise and service information or CCPC voluntary specifications.	
			<p>(8) Through our Quality Assurance Division, we conduct routine audit over all suppliers in their quality systems to assure uninterrupted long-term supplies of bulk pharmaceutical chemicals (BPC) that would satisfy the laws and safety & health rules. Teaming up with our fellow suppliers, we jointly fulfill the Corporate Social Responsibility (CSR).</p> <p>(9) Under "Corporate Social Responsibility Best Practice Principles" promulgated by CCPC, whenever a supplier proves involvement or in contravention of Corporate Social Responsibility Best Practice Principles that would lead to a significant impact upon the community environment and society in the supply sources, the Company may terminate or rescind the terms and conditions of the supply contract forthwith.</p>	
<p>4. Enhanced information disclosure</p> <p>(1) Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?</p>	v		<p>We already completed the Report of Corporate Social Responsibility (CSR) 2016 the contents of which, notably the substantial facts about CCPC's efforts in promotion of Corporate Social Responsibility (CSR), have been disclosed through the CCPC website, Market Observation Post System (MOPS). The Corporate website: http://www.ccp.com.tw/ (Special Zone of Corporate Social Responsibility (CSR)).</p>	Without a significant difference.
<p>5. Where a Company has worked out CSR Guiding Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please expressly elaborate on the differential gap between the substantial performance and the Practice Principle: The Company has duly worked out "Corporate Social Responsibility Best Practice Principles" where the substantial performance shows no significant differential gap from the Practice Principle.</p>				

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
6. Other important information that help understand the CSR operation:				
(1) CSR governance frameworks:				
<div><div><div>Shareholders' meeting</div><div><div><div>Board of Directors</div><div>Chairperson</div><div>CSR Committee</div></div><div><div>Audit Committee</div><div>Remuneration Committee</div><div>Auditing Department</div></div></div><div>President</div><div><div>Labor Pension Reserve Fund Supervisory Committee</div><div>Employee Welfare Committee</div><div>Quality Assurance Office</div><div>Animal Health Products Division Affairs Office</div><div>Production Division</div><div>Research and Development Division</div><div>Administrative Resources Center</div></div></div></div>				

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary description	
<p>In an attempt to fulfill Corporate Social Responsibility (CSR) with focus on environment, industrial safety, society, corporate governance and sustainable development, China Chemical & Pharmaceutical Co., Ltd. has specifically founded the "CSR Committee" to put into implementation thoroughly CSR related issued, with adequate disclosure China Chemical & Pharmaceutical Co., Ltd. in "economy", "society", "environment", "products" and such significant issues, managerial policies, performance index as well as measurement of such index.</p> <p>The CSR Committee is duly organized by units concerned as a cross-function team, chaired by the Chairperson as the Chief Commissioner. The CSR Committee has set up CSR Task Force which assigns the key issues amidst the concern by interested parties to all units concerned based on the professions and respective duties.</p> <p>CSR Committee's key responsibilities and powers:</p> <ol style="list-style-type: none">1. Stipulate and promote CSR related policies.2. Reassess operation of CSR management system.3. Evaluate the Company's CSR policy targets, strategies and action plans, and instruct and trace the progress and improvement in the performance.4. Work out CSR Reports. <p>Organization chart of the CSR Committee:</p> <div><div>CSR Committee</div><div><div>Chief Commissioner</div><div>Chief executive</div></div><div><div>Corporate Governance Task Force</div><div>Customer Care Task Force</div><div>Employee Care Task Force</div><div>Sustainable Environment Task Force</div><div>Public Welfare Task Force</div><div>Task Force of Enforcement</div></div></div>				

Descriptions of the job items of the Task Force:

- Corporate Governance Task Force:
It assumes the responsibility for promotion of corporate governance related systems and offers proposals for better performance, including corporate governance framework, codes of conducts, board of directors, Remuneration Committee, Audit Committee, internal control system, risk control and management over continued business operation.
- Customer Care Task Force
It assumes the responsibility for communications in marketing, customer privacy, labeling of products and services, customer health and safety.
- Employee Care Task Force:
It assumes the responsibility to set up employees-friendly workplaces, hiring and cultivation & training programs for employees, employee concern and care toward migrant workers both physically and mentally.
- Sustainable Environment Task Force
It assumes the responsibility to promote sustainable development and environmental protection, offers proposal for better performance, including: Environmental management system, green products and manufacture process, energy & resource management, water resource management, waste water disposal, greenhouse gas inventory-check other issues including air pollution substance inventory check, supplier management and countermeasures to deal with violation of environment rules and regulations.
- Public Welfare Task Force
It assumes the responsibility to promote system linked up with social benefits, offer proposals of corrective actions, participate in in community affairs and general public interests.
- Task Force of Enforcement
It assumes the responsibility to work out and issue Corporate Social Responsibility Report, internal coordination and publication affairs.

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(2) Sound channels for coordination and communications with interested parties.

Stakeholders	Channels/formalities for communications	Issues of serious concern
Investors/banks	<ul style="list-style-type: none"> General Meeting of shareholders The corporate website and e-mail The Company's Annual Report Market Observation Post System (MOPS) Contact point: Department of Finance Ms. Cheng Mei-Lien Tel: (02)2312-4200 Ext. 339 e-mail: candy@ccpc.com.tw 	<ul style="list-style-type: none"> Strategy for sustainable development/risk management corporate governance Sales and sales operation in the markets Research & development and innovation
Employee	<ul style="list-style-type: none"> Labor Safety & Health Committee Unions General Manager's mailbox Amicable talks between the unit heads the employees Employee Welfare Committee Contact point: Administrative Services Department Ms. Chou Shu-Mei Tel: (02)2312-4200 Ext. 276 e-mail: smchou@ccpc.com.tw 	<ul style="list-style-type: none"> Industrial safety Occupational safety & health Training development & education
Raw materials suppliers/product suppliers	<ul style="list-style-type: none"> Visits to suppliers Evaluation of suppliers Contact point: Property Department Ms. Chang Pi-Hua Tel: (02)2312-4200 Ext. 211 e-mail: sophia@ccpc.com.tw 	<ul style="list-style-type: none"> Strategy for sustainable development/risk management Supply chain management Law compliance corporate governance Bulk pharmaceutical chemicals (BPC) management Business ethics Sales and sales operation in the markets
Customers/distributors	<ul style="list-style-type: none"> Customer interviews Introduction to products through the Company's website and the services thereof Interview with salespeople (customers' opinions or grievance) Contact point: Administrative Service Division Ms. Hu Hui-Lan Tel: (02)2312-4200 Ext. 728 e-mail : mango@ccpc.com.tw 	<ul style="list-style-type: none"> Accurate uses of pharmaceuticals Health and safety Sales and sales operation in the markets

- (3) Environmental protection: In all production plant zones, CCPC has set up independent air pollution preventive equipment & facilities which securely treats the exhaust gases yielded from the manufacturing process before emitting it into the atmosphere. The waste water of Shin Fong Plant Zone is guided into the 500-ton biological & chemical treatment tank established inside the plant zone through precipitation process to exactly satisfy the national water quality control standards before being emitted out of the plant. In other plant zones, all waste, sewer water are guided into the sewer water treatment systems of the local industrial area where the plants are in. Toward the targets of energy saving & carbon reduction and greenhouse gas reduction and sustainable development, CCPC spent a total of NTD12.065 million onto a variety of environmental protection facilities in 2016. In terms of the outcome of water resource conservation, the unit yields of water consumption per M.T. in 2016 grew by approximately 36.5 % as compared with Year 2015. In the days and years ahead, we shall at CCPC put forth maximum possible efforts to cherish water resources to further develop water conservation know-how amidst manufacturing process, set up waste water recycling system with efforts to replace water conservation equipment & facilities, strengthen maintenance & upkeep services of equipment & facilities inside the plants. Through such multiple efforts, we shall further minimize water resource consumption. Achievement in enforcement of energy saving & carbon reduction policies: Cf. Table below for details.

Statistics of the benefits yielded by energy saving & carbon reduction efforts in three (3) years during 2014~2016

Year	Electric power conserved (KW/year)	Diesel conserved (Liters/year)	Heavy oil conserved (Kiloliters/year)	CO2 reduced (M.T.)/year
2016	1,045,420	34,104	70,000	859
2015	888,892	34,430	70,000	770
2014	82,944	4,488	391 ³	1,274.95

- (4) Participation and services toward communities: Toward the local communities, we offer blood pressure test, blood sugar health

Assessment items	Actual governance		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
			Summary description
<p>education seminars, home safety & security health seminars. We render charity physical treatment and warm concern and care to aging senior citizens.</p> <p>(5) Contribution and public interests toward the society: Under CCPC philosophy "taken from society/give back to society", we have earnestly teamed up with Chunghwa Yuming Healthcare Co., Ltd. to help general public develop and boost health backed up with CCPC products and services in superior quality. Meanwhile, we spare no effort to give back to the society through public interest oriented programs, including notably collaboration between industry and university, free seminars/lectures, financially sponsoring medical care service resources, charity medical care services toward remote countryside regions, along with promotion in health know-how education. Through Wang Min-Ning Memorial Foundation, we have further founded "Wang Min-Ning Awards" with enthusiastic promotion and development of medical science oriented academic development and education as the key source of momentum to boost domestic medical science through academic development.</p> <p>1. CCPC-Academy Cooperation: Under the CCPC policy to cultivate high level talents into practical use and young elite in pharmaceutical manufacture, we have in recent years energetically launched a variety of "CCPC-Academy Cooperation" human resources development programs. Through close cooperation and interactions by and between "industry"(CCPC) and academic field, by means of "learning by doing, and learning amidst doing", we virtually bring the industry closer toward academic field to closely team up with the need for talented human resources in the pharmaceutical manufacture industry. In 2017, CCPC closely teamed up with National Taiwan University, National Cheng Kung University, Soochow University, Kaohsiung Medical University, China Medical University Hospital, Chia Nan University of Pharmacy & Science, Tajen University, National Chin-Yi University of Technology, Minghsin University of Science and Technology, National Pingtung University of Science and Technology, Chung Hwa University of Medical Technology as well as Ryerson University of Canada into CCPC-Academy Cooperation and practicum programs. In total, CCPC through such efforts cultivated 79 higher education students. Through the hands-on brainstorming, innovation and hands-on research, we have here at CCPC guided numerous students into more awareness of the pharmaceutical industry and, in turn, into their hands-on dedication to the pharmaceutical industry.</p> <p>2. Public benefit activities: In an effort to support underprivileged and vulnerable groups through financial incentive support to pharmaceutical science oriented research & development, we have tried hard to promote health and hygiene education with social benefit oriented charity sales. CCPC offered generous donation toward the victims and their families in the "Kaohsiung gas explosion accident", "Baxian Dust Explosion Accident", "Tainan Earthquake Catastrophe", "Hualien Earthquake" among other incidents, helping those victims and their families tidy over tough times together.</p> <p>(6) Human rights: On the grounds of Labor Standards Act, Act of Gender Equality in Employment and other labor related laws and ordinances concerned, we firmly safeguard employees in their interests. From time to time on a nonscheduled basis, we sponsor educational & training programs to cultivate talented professionals.</p> <p>(7) Safety & health affairs: Through the Safety & Health Management Unit, we stipulate relevant working regulations and put them into solid enforcement.</p> <p>(8) Other responsibilities toward the society: In memory of Mr. Wang Min-Ning, the very founder of China Chemical & Pharmaceutical Co., Ltd. for his extraordinary dedication toward better health of all country people, promotion of pharmaceutical manufacture technology & know-how. Through the Foundation, we have promoted domestic pharmaceutical manufacture undertakings into the international community, with hands-on heritage of the very spirit upheld by Mr. Wang Min-Ning. Wang Min-Ning Memorial Foundation was founded in 1989. Since then we have spared no effort to encourage pharmaceutical manufacture oriented research & development as our supreme guiding policy. Other than these efforts, we have granted financial assistance and scholarships toward high-level professionals into academic research & development as well as extensively participated in a variety of public benefit activities toward the entire society, bringing the functions of the Foundation into the maximum possible performance. CCPC founded "Wang Min-Ning Awards" in 1991, including notably two major awards, i.e., "Outstanding Contribution Award for Pharmaceutical Research & Development toward National Health" and "Best Dissertation Awards in Domestic Ph. D. Programs on Pharmaceutical Manufacture Science". In a total of 27 sessions in 27 years since then, a total of 178 scholars, doctors, physicians and academic research institutions have satisfactorily passed the serious screening/selection process for the significant awards. The Award winning works cross the lines including Preclinical Medicine, Clinical Medicine and Pharmacy. Thanks to the independent, impartial, transparent and professional judging appraisal process, these CCPC Awards are known as rare praiseworthy and respectable incentive awards, winning widespread acclaim from the entire medical science field.</p> <p>For more details about Corporate Social Responsibility Report, please visit the official CCPC website (www.ccpc.com.tw) "Special Zone of Corporate Social Responsibility". Also in the official CCPC website, you will find the "Special Zone of Interested Parties" where we make available open questionnaire through which all CCPC interested parties may express exactly what they have in mind, their opinions and precious proposals to help us better understand their voices. Their opinions and voices function as very precious reference to us all, especially in our work for the Corporate Social Responsibility Report. Toward CCPC customers, investors, staff members and suppliers, we have set up varied and respective channels for communications. Thanks to such sound efforts, we are always closely linked up with interested parties about their needs and their expectation from CCPC.</p>			
<p>7. Where the Company's Corporate Social Responsibility Report satisfactorily passes the verification criteria of relevant authentication authorities, please elaborate:</p> <p>Here at CCPC, we duly work out Corporate Social Responsibility Report exactly with reference to Global Reporting Initiative, GRI (GRI G4. 0), in particular the "core" method therein. The CCPC Corporate Social Responsibility Report has been disclosed through the Company's website and Market Observation Post System (MOPS). Without submittal to the relevant authentication authorities for authentication.</p>			

(VI) Facts about the Company's performance in Best-Practice Principles on Good Faith Management and the measures so adopted:

Proper enforcement of business integrity

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>1. Business Integrity Policy and action plans</p> <p>(1) Does the Company have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies?</p> <p>(2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively?</p> <p>(3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities subject to higher risks of fraud?</p>	v		<p>(1) In our business undertakings, we take "faithfulness" as our very guiding policy that is profoundly rooted into CCPC corporate culture as the very core in the general educational curricula in the CCPC in-house on-the-job training programs. Thanks to such elegant policy and guideline, the entire CCPC staff members have been faithful and transparent in their routine practice toward shareholders, customers and entire society. In turn, we have stipulated relevant specifications, notably like Operating Procedures for Management over Transactions with Related Parties, Rules Governing Code of Ethical Conduct for Directors, Supervisors & Managerial Officers to prevent potential occurrence of conflicts of interests. Further with reference to the "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies", we have duly stipulated "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" which function as the very grounds for good faith management. In an effort to set up sound mechanism for significant internal information and disclosure to prevent an unjustifiable divulgence to assure consistency and accuracy of all information disclosed externally, we have stipulated "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" as the very guide toward directors, managerial officers and entire staff members. The CCPC Operating Procedures Act is disclosed through the Company's website http://www.ccpq.com.tw (Investors' special zone - corporate governance).</p> <p>(2) We have duly enacted "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" which function as the very guiding grounds of the entire Company to put into implementation thoroughly accusation report against unlawful and unethical behaviors These Registration and Procedures expressly ban all CCPC personnel from accepting or offering unjustifiable interests and guide them into withdrawal from conflict involvement (recusal). In all business operation, any unethical behavior is absolutely prohibited to prevent potential occurrence of unfaithful practice. In the hands-on practice of good faith management, such good faith management policy and philosophy are arranged into the pre-employment training programs for all newcomers. The training lessons include Best-Practice Principles on Good Faith Management, professional ethics, with introduction to "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management", the relevant rules & regulations. The Company's special duty oriented</p>	Without a significant difference.

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			<p>department would report to the Company's Board of Directors about the substantial performance of the good faith management.</p> <p>"Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" are disclosed through the Company's website http://www.ccp.com.tw (Investors' special zone - corporate governance).</p> <p>(3) In business transaction or procurement, the Company should check and verify whether the suppliers are the Company's interested parties and should check and make sure of the faithfulness facts of business counterparts through the Company's credit investigation operating procedures. Fact of every donation should be reported to various managerial levels to make definitely sure that the donation would satisfy laws and ordinances concerned and the Company's internal operating procedures. Through the "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" enacted by the Company, the Company launches definite and express measures to prevent business operation activities that are subject to risks of unfaithful behaviors.</p>	
<p>2. Proper enforcement of business integrity</p> <p>(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p> <p>(2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis?</p> <p>(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p> <p>(4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs?</p> <p>(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>	v		<p>(1) The Company engages in business operation exactly under the fair, honest, trustworthy and transparent principles. Via the Company's credit investigation process, we do definitely check and make sure of the Company's agents, suppliers, customers and other counterparts in business operation about their legality and practice in faithfulness, about whether they have involved any unfaithful practice previously to prevent CCPC from engaging in business transaction with an unethical counterpart. Whenever the Company executes a contract on business, we definitely assure that the contract contents should contain good faith management policies with such definite clause: Whenever a business counterpart is found or alleged to get involved in unethical behaviors, the Company is entitled to have the Agreement terminated or rescinded forthwith.</p> <p>(2) For promotion and hands-on implementation, the Company assigns the Administrative Services Department as the unit to take exclusive charge. In 2014 the Company officially stipulated "Good Faith Management Principles" which were amended for the first time as duly resolved in the board of directors on November 2, 2015. On December 26, 2017, the report of the hands-on practice in good faith management was submitted to the board of directors. The Company's board of directors exercises due diligence as a <i>bona fide</i> administrator to closely watch the entire Company in hands-on good faith management practice against any unethical behaviors. The board of directors and entire Company reassess the hands-on performance of the good faith management policy to assure faithful implementation of such elegant policy.</p> <p>(3) Under the Company's regulations & systems,</p>	Without a significant difference.

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			<p>avoidance from presence (recuse) is absolutely assured whenever there is a potential conflict in interests. Whenever an issue in the board of directors is found in potential conflict in interests, a director involved such potential conflict should withdraw and quit from the voting site, without a role in the discussion and voting process. The Company expressly promulgates that "good faith management" or "faithfulness" should represent a vital element of CCPC culture. To prevent conflict in interests amidst routine business operation, the Company has set up sound channels for grievance and complaint, mailbox and special phone number ready to accept accusation reports.</p> <p>(4) The Company has set up and implemented effective accounting system, internal control system, internal audit system as well as a variety of managerial rules. The Company's Audit Office conducts routine sample check about the hands-on practice and implementation.</p> <p>(5) The Company has duly stipulated strict working regulations governing employees in their practice at work and rules about what employees must know. The good faith management philosophy, professional ethics, "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management", law compliance and such CCPC policy are provided as the very essential elements in the pre-employment training programs for newcomers and other routine training programs. Hands-on performance in educational & training programs and promotion in 2017: (1). CCPC: In the in-house training programs sponsored on April 26, 2017 & September 5, 2017, the Best-Practice Principles on Good Faith Management and Behavioral Guidelines were provided as the key elements. The educational & training programs were attended by a total of 42 trainees. (2). Chunghwa Yuming Healthcare Co., Ltd.: In the newcomers oriented training programs sponsored in June, September, & December 2017, all trainees were educated with the firm Three-Nos Policy: No embezzlement, No resale, No Moonlighting. The training programs were attended by a total of 68 trainees.</p>	
<p>3. The operations of the Company's Report System</p> <p>(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p>	v		<p>(1) Under the "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" enacted by the Company, CCPC encourages both insiders and outsiders to launch accusation reports against unethical, unfaithful or unjustifiable behaviors. Where an accusation report justifies the accused facts with outcome of the investigation, the case will be reported to the general manager to grant incentive awards as the actual facts may justify. Where, on the other hand, a CCPC insider proves to report a false accusation in a malicious intent, such accuser shall receive right disciplines or shall be even dismissed from employment in a serious offense. The Company has set up accusation & complaint mailbox report@ccpc.com.tw, with special phone number (02-23124219) wherewith both insiders and outsiders may use to report. The Company assigns</p>	Without a significant difference.

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			special duty oriented personnel to answer the phone calls and deal with the cases.	
<p>(2) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported?</p> <p>(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?</p>			<p>(2) The Company has stipulated "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors". Accordingly, we would launch investigation in response to the accusation report and take measures as appropriate based on such Regulations. Meanwhile, we would report to the board of directors regarding the facts of reports, our responses and subsequent improvement efforts. All CCPC people in charge of the accusation reports are subject to strict confidentiality about the status of a reporter, contents of the report. The Company firmly commits that under no circumstances shall an accusation reporter receive any unjustifiable measure because of his or her accusation report.</p> <p>(3) Under the "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" enacted by the Company, the Company strictly sticks to a policy that all CCPC people in charge of an accusation report should commit expressly in writing to confidentiality obligations about the status of a reporter and the contents so reported. The Company firmly commits that under no circumstances shall an accusation reporter receive any unjustifiable measure because of his or her accusation report. In entire 2017, the Company did not receive an accusation report.</p>	
<p>4. Enhanced information disclosure</p> <p>(1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?</p>	v		Through the Company's official website (http://www.ccpq.com.tw) Investors' special zone - Corporate Governance and Market Observation Post System (MOPS), the Company has disclosed the entire contents of the "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" as well as the hands-on performance and implementation of such Operating Procedures.	Without a significant difference.
<p>5. Where the Company may have establish its own business integrity best-practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", and shall elaborate the practice of business integrity and the variations from the aforementioned regulation: Exactly in accordance with the "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies" and laws and ordinances concerned, the Company has duly stipulated "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management". In all hands-on business operation, the Company has faithfully complied with the Operating Procedures and the Guiding Principles. The Company's hands-on performance shows no significant differential gap from the specified regulations.</p>				
<p>6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity) Pursuant to "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies" which were amended by Taiwan Stock Exchange Corporation (TSEC) with Letter Tai-Zheng-Key points that call for attention-Li-Zi 1030022825, the Company duly updated on November 2, 2015 its "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management". The updated Operating Procedures were granted a pass in the 16th board of directors meeting of Session XXII.</p>				

(VII) Where the Company has enacted Corporate Governance Best-Practice Principles and relevant rules: The relevant provisions of the corporate governance were disclosed through the Company's website <http://www.ccpq.com.tw> (Investors' special zone - corporate governance).

(VIII) Other significant information that is helpful for better awareness of performance in corporate governance: Market Observation Post System (MOPS) <http://mops.twse.com.tw/>, the Company's website <http://www.ccpq.com.tw>.

(IX) Hands-on performance in the internal control system:

1. Declaration in Internal Control System:

China Chemical & Pharmaceutical Co., Ltd.
Declaration of Internal Control Policies

Date: March 13, 2018

The following declaration is based on the 2017 self-audit over the Company's internal control policies:

1. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managers. These policies were implemented throughout the Company. The purpose is to provide a reasonable assurance on the achievement of the goals, including the effectiveness and efficiency of operations (including profitability, performance and security of assets, etc.) and the report with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. Pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Governing Regulations"), the Company should study and judge whether the Company's internal control system is effective in design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
4. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
5. On the grounds of the outcome of evaluation mentioned in the preceding Paragraph, the Company firmly holds that the Company's internal control system as of December 31, 2017 (including supervisory control and management over subsidiaries), notably the effect of the business operation, extent of accomplishment of the target where the report proves trustworthy, transparent in real time, the design and implementation of the Company's internal control system proves effective, capable of assuring accomplishment of the aforementioned targets.
6. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The present Declaration of Internal Control System was granted a pass in the board of directors meeting convened on March 13, 2018. That board of directors meeting was attended by 7 directors among whom 0 director objected. All present directors unanimously responded with consent to the contents of the Declaration. This is the another point duly clarified herewith.

China Chemical & Pharmaceutical Co., Ltd.



Chairperson: Wang, Hsun-Sheng Signature



President: Wang, Hsun-Sheng Signature

2. Review report issued by the commissioned Certified Public Accountant(s) in the review of the internal control system: None.

- (X) In the latest year until the date as of Annual Report issuance: The Company and inside personnel having been penalized for violation of the requirements in the internal control system, the major defects and corrective action completed: (Expressed in Thousand New Taiwan Dollars)
1. In February 2009, the Ministry of Justice held that during October 2001 ~ June 2004, the Company participated in a pharmaceutical procurement case of an authority supervisory over public servants and was awarded that tender, in contravention of Article 9 of the Act on Recusal of Public Servants Due to Conflicts of Interests. Based on Article 15 of the same Act, the Ministry of Justice imposed a fine amounting to NTD60,990 which the Company recognized as a loss in 2008. In response to the administrative appeal lodged by the Company, the Ministry of Justice corrected the amount of the fine in July 2010 into an amount of NTD40,614. Further appeal through the Attorney-at-Law retained by the Company, the Company's appeal was dismissed by the Taiwan High Court in 2011. Once more, the Company lodged another appeal. The Supreme Administrative Court with a judgment rendered in May 2014 with a decision that the prior judgment should be set aside and the case should be returned to Taipei High Administrative Court. Taipei High Administrative Court rendered decision in April 2015 that the prior decisions should be set aside and that the Ministry of Justice should render another decision appropriate according to law in accordance with Article 15 of the Art for Avoidance from Presence (Recuse). Further on October 19, 2015, the Ministry of Justice issued a letter to correct the amount of the fine into NTD20, 000 (entered into balance sheet as reserve for liability - current). Based on the most up-to-date ruling, the Company already reversed the originally entered penalty fine NTD20, 614 and entered as "other revenue". The Company lodged another administrative appeal in November 2015 and the Administrative Appeal Committee of the Executive Yuan (the Cabinet) dismissed the administrative appeal in April 2016. The Company lodged appeal with Taipei High Administrative Court and Taipei High Administrative Court already dismissed the appeal in September 2016. In turn, the Company lodged appeal to the Supreme Administrative Court in November 2016 and the Supreme Administrative Court rendered a judgment in September 2017 whereunder the Company was a loser in the final and irrevocable decision.
 2. The Company received a notice in March 2016 from the Civil Bench of Taiwan Taipei District Court to the effect that The Securities and Futures Investors Protection Center. (Hereinafter referred to as Investors Protection Center) petitioned to the court for discharge of the Company's Chairperson and directors. That was to request the Company to discharge the relationship by and between the Company and the Company's directors. Under that court instructions, the Investors Protection Center named the Company as the joint defendant. The Company retained the Attorney-at-Law to defend. The Taiwan Taipei District Court already in December 2016 dismissed the lawsuit lodged by the Investors Protection Center. In turn, the Investors Protection Center appealed to the Taiwan High Court. The present issue is still under review process by the Taiwan High Court at the moment.
 3. In September 2017, the Company received a litigation from Dong Sheng Hua Pharmaceutical Manufacture Co., Ltd. with a claim for NTD5,000 in the excuse that the Company had infringed upon its patent and violated Fair Trade Act. Through the Company's own evaluation, the Company did not at all breach the Patent Act and Fair Trade Act as so claimed. The Company already retained the Attorney-at-Law for a defense.
- (XI) In the latest year until the date as of Annual Report issuance, the shareholders' meeting

had resolved significant decisions:

Significant decisions resolved in the shareholders' meeting		
Date on which the shareholders' meeting resolved the decisions	Subject:	The outcome of resolution and the implementation thereof
May 26, 2017 Shareholders' regular meeting	1. The issue to acknowledge the business report and final account books in 2016.	The issue duly passed the resolution process in the voting exactly as proposed.
	2. The issue to acknowledge the Company's distribution of earnings in 2016.	Through the voting process, it was duly resolved that the Company distribute cash dividend at NTD178,848,648 (@NTD0.6 per share), remuneration to employees at NTD21,750,000, remuneration to directors and supervisors NTD3,300,000. All distributions were granted in full in July 2017.
	3. The issue to discuss partial amendment to the Company's "Procedures for the Acquisition or Disposal of Assets".	The issue duly passed the resolution process in the voting exactly as proposed. The Company has duly operated exactly pursuant to the post-amendment procedures.
	4. The issue to discuss partial amendment to the Company's "Operating Procedures for Enforcement of Endorsements/Guarantees".	The issue duly passed the resolution process in the voting exactly as proposed. The Company has duly operated exactly pursuant to the post-amendment procedures.
	5. The issue to discuss partial amendment to the Company's "Operating Procedures for Loaning of Funds"	The issue duly passed the resolution process in the voting exactly as proposed. The Company has duly operated exactly pursuant to the post-amendment procedures.

(XII) In the latest year until the date as of Annual Report issuance, where the directors and supervisors passed significant decisions with different opinions as backed with records or declarations, the major contents: Such fact is nonexistent in the Company.

(XIII) In the latest year until the date as of Annual Report issuance, the assembled information of discharge or resignation by the Company for the Company's Chairperson, general manager, chief accountant, treasurer, internal audit head and research & development head: Such fact is nonexistent in the Company.

IV. Disclosure of CPAs' remuneration

Scale chart of the information in public fees of the Certified Public Accountant Association

Auditor's firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Jun Yao, Lin	Shu Qiong, Zhong	2017.01.01~2017.12.31	None

Unit: NTD thousand

Fee levels \ Fee items		Audit remuneration	Non-audit remuneration	Total
1	Below NTD 2,000,000	—	V	V
2	NTD2,000 thousand ~ NTD4,000 thousand (exclusive)	V	—	V
3	NTD4,000 thousand ~ NTD6,000 thousand (exclusive)	—	—	—
4	NTD6,000 thousand ~ NTD8,000 thousand (exclusive)	—	—	—
5	NTD8,000 thousand ~ NTD10,000 thousand (exclusive)	—	—	—
6	Over 10,000,000 (inclusive)	—	—	—

- (I) Where the payment to the attesting CPAs. Attesting CPAs Office and the affiliated enterprises thereof and such non-audit fee more than one quarter of the total audit fee, the amount and contents:

Disclosure of CPAs' remuneration

Unit: NTD thousand

Auditor's firm	Name of CPA	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			System design	License registration	Human resource	Other (Note 2)	Subtotal		
PwC Taiwan	Liao Lieh-Lung	-	-	-	-	350	350	2017.01.01~2017.12.31	Report on transferred pricing
PricewaterhouseCoopers Taiwan Business Administrative Consultation	Li, Jun-Chih	-	-	-	-	650	650	2017.08.~2018.08	Consultation services of the strategic planning

Note 1: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

- (II) The very fact is the Company has not replaced a Certified Public Accountant and the audit fee paid to the attesting CPAs with a change in the year did decrease from the preceding year.

- (III) The fact for the Company's payment of audit fee more than 15% in decrease from the preceding year is nonexistent in the Company.

V. Change of CPA: Over the past two years and the period thereafter, the Company did not replace a Certified Public Accountant.

VI. Any of The Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year; disclose their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company.

VII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, supervisors, managers and shareholders with more than 10% ownership interest (Where the counterparts for transfer or pledge of the equity are related parties, please expressly illustrate the name(s), company(ies), director(s) or supervisor (s), key shareholders holding more than 10% in the relationship and the number of shares in pledge so obtained);

(I) Fact regarding change in the stock equity by directors and supervisors, managerial officers and key shareholders. Unit: shares

Title	Name	2017		Year-to-date March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairperson	Wang, Hsun-Sheng	0	0	0	0
Director	Wang, Hsun-Hui	0	0	0	0
Director	Cheng, Hsi-Yi	0	0	0	0
Director	Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung	0	0	0	0
Independent Director	Pei, Min-Li	0	0	0	0
Independent Director	Wu, Su-Huan	0	0	0	0
Independent Director	Chen, Hung-Shou	0	0	0	0
Vice President	Sun, Yin-Nan	0	0	0	0
Vice President	Hsieh, Chun Ju	0	0	0	0
Vice President	Tsai, Kuo-Chang	0	0	0	0
Vice President	Wu, Chih-Yung	0	0	0	0
Vice President	Hsu, Shou-Chung	0	0	0	0
Manager	Lin, Teng-Pao	0	0	0	0
Manager	Chao, Te-Feng	0	0	0	0
Manager	Huang, I-Chun	0	0	0	0

(II) Information of the fact where the Company's directors and supervisors, managerial officers and key shareholders holding over 10% in shareholding transfer stock equity to related parties: None.

(III) Where the counterparts for stock equity by the Company's directors and supervisors, managerial officers and key shareholders holding over 10% in shareholding are related parties: None.

VIII. Shareholders of the top ten shareholding ratios, the information of the interrelations among them:

March 31, 2018

Name	Shares Held In Own Name		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2 nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name (or name)	Relationship	
Jian Chiao Xin Yuan Pharmaceutical Biological Technology Co., Ltd. Representative: Lin Chih-Hui	26,603,000 60,547	8.92% 0.02%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Wang, Hsun-Sheng	14,703,937	4.93%	599,177	0.20%	0	0.00%	Wang Hsun-Hui, Wang Hsieh Yi-Chen	Siblings, Spouse	None
Wang, Hsun-Hui	13,781,817	4.62%	771,177	0.26%	0	0.00%	Wang Hsun-Sheng, Wang Hsieh Yi-Chen	Siblings, Blood relatives within the second degree of kinship	None
Fubon Life Assurance Co., Ltd. Representative: Tsai Ming-Hsing	13,000,000 0	4.36% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Wang Ming-Ning Memorial Foundation Representative: Wang Hsun-Sheng	10,432,912 14,703,937	3.50% 4.93%	0 599,177	0.00% 0.20%	0 0	0.00% 0.00%	None Wang Hsun-Hui, Wang Hsieh Yi-Chen	None Siblings, Spouse	None None
Citibank (Taiwan) was commissioned to take custody. Special account for investment in Norwegian Central Bank	7,143,000	2.40%	0	0.00%	0	0.00%	None	None	None
Ma Jia De Enterprise Co., Ltd. Representative: Wang Hsieh Yi-Chen	5,328,000 599,177	1.79% 0.20%	0 14,703,937	0.00% 4.93%	0 0	0.00% 0.00%	None Wang Hsun-Sheng, Wang Hsun-Hui	None Spouse, Blood relatives within the second degree of kinship	None None
Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Wang Hsun-Sheng	5,028,137 14,703,937	1.69% 4.93%	0 599,177	0.00% 0.20%	0 0	0.00% 0.00%	None Wang Hsun-Hui, Wang Hsieh Yi-Chen	None Siblings, Spouse	None None
Guan's Enterprise Co., Ltd. Representative: Guan Jun-Ping	4,015,000 650,000	1.35% 0.22%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Sub-Newly Rising Market commissioned by Citibank (Taiwan) for custody Evaluation of investment with fund	3,723,264	1.25%	0	0.00%	0	0.00%	None	None	None

- IX. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties:

Comprehensive Shareholding Percentage

As of March 31, 2018, expressed in number of share as the unit, %

Investees (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Chunghwa Yuming Healthcare Co., Ltd.	29,590,000	100.00%	0	0.00%	29,590,000	100.00%
Chunghwa Senior Care Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Chunghwa Holding Co., Ltd.	44,485,000	100.00%	0	0.00%	44,485,000	100.00%
Tairung Development Co., Ltd.	4,376	71.64%	762	12.48%	5,138	84.12%
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	17,331,064	22.35%	6,784,397	8.74%	24,115,461	31.09%
Sino-Japan Chemical Co., Ltd.	318,216	21.99%	0	0.00%	318,216	21.99%
CCPC Health Biological Technology Co., Ltd.	3,000,000	60.00%	0	0.00%	3,000,000	60.00%

Note: A long-term investment in equity method by the Company

Four. Funding Status

I. Capital and outstanding shares

(I) Sources of share capital

1. Process where the share capital was formatted:

March 31, 2018; Expressed in Thousand New Taiwan Dollars and thousand shares.

Year / month	Price of issue (NTD)	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid in properties other than cash	Others
2000.07	10	260,000	2,600,000	250,910	2,509,100	Capital reserve taken to be converted into capital increase NTD228,100	None	None
2004.06	10	280,000	2,800,000	270,982.8	2,709,828	Capital reserve taken to be converted into capital increase NTD99,775 Recapitalization of earnings 100,953	None	None
2005.07	10	300,000	3,000,000	298,081.08	2,980,810.8	Recapitalization of earnings 270,982.8	None	None

Note: For capital increases in the aforementioned years, the Company obtained official letters from Financial Supervisory Commission, Executive Yuan to confirm the validity, along with the respective dates and file numbers.

(1) Declared into validity with Letter (Year 2000) Tai-Tsai-Zheng-(I) 59059 dated July 10, 2000

(2) Declared into validity on June 29, 2004 with Letter Tai-Tsai-Zheng-Yi-Zi 0930128568.

(3) Declared into validity on July 26, 2005 with Letter Jin-Guan--Zheng-Yi-Zi 0940127280

2. Categories of shares:

March 31, 2018 Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	298,081,080	1,918,920	300,000,000	None

Note: As the listed stocks.

3. Never has the Company raised and issues negotiable securities by means of overall declaration without approval.

(II) Shareholder structures:

March 31, 2018 Unit: shares

Shareholders structure Quantities	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	1	2	120	45,609	101	45,833
Number of shares held	12,025	16,262,000	61,120,175	188,513,278	32,173,602	298,081,080
Shareholding percentage	0.004%	5.456%	20.505%	63.242%	10.793%	100%

(III) Equity dispersion

March 31, 2018 Unit: shares

Shareholding scale intervals	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	24,971	2,581,660	0.87%
1,000 to 5,000	15,714	34,584,201	11.60%
5,001 to 10,000	2,742	22,433,554	7.53%
10,001 to 15,000	755	9,636,983	3.23%
15,001 to 20,000	586	10,993,150	3.69%
20,001 to 30,000	362	9,402,654	3.15%
40,001 to 50,000	284	11,407,249	3.83%
50,001 to 100,000	215	15,855,275	5.32%
100,001 to 200,000	108	15,084,596	5.06%
200,001 to 400,000	39	11,075,736	3.72%
400,001 to 600,000	14	7,047,953	2.36%
600,001 to 800,000	9	6,057,177	2.03%
800,001 to 1,000,000	5	4,420,378	1.48%
> 1,000,001	29	137,500,514	46.13%
Total	45,833	298,081,080	100.00%

Note: Never has the Company issued preferred shares.

(IV) List of major shareholders:

March 31, 2018 Unit: shares

Names of the top ten shareholders		Shareholding	Number of shares held	Shareholding percentage
1	Jian Chiao Xin Yuan Pharmaceutical Biological Technology Co., Ltd.		26,603,000	8.92%
2	Wang, Hsun-Sheng		14,703,937	4.93%
3	Wang, Hsun-Hui		13,781,817	4.62%
4	Fubon Life Assurance Co., Ltd.		13,000,000	4.36%
5	Wang Ming-Ning Memorial Foundation		10,432,912	3.50%
6	The special Norwegian Central Bank account for investment where Citibank (Taiwan) was commissioned for custody		7,143,000	2.40%
7	Ma Jia De Enterprise Co., Ltd.		5,328,000	1.79%
8	Chunghwa Chemical Synthesis & Biotech Co., Ltd.		5,028,137	1.69%
9	Guan's Enterprise Co., Ltd.		4,015,000	1.35%
10	Investment on funds in the sub-emerging markets as commissioned by Citibank (Taiwan)		3,723,264	1.25%

(V) Market price per share, net worth, dividend and relevant data over the past two years

Item \ Year		2016	2017	In the current year as of March 31, 2018 (Note 8)
Market price per share (Note 1)	Highest	20.55	20.70	20.15
	Lowest	17.60	17.65	17.80
	Average	18.54	18.52	18.61
Net worth per share (Note 2)	Before dividend distribution	18.34	18.72	—
	After dividend distribution	17.74	(Note 9)	-
Earnings per share	Weighted average outstanding shares	297,253,197	297,253,197	297,253,197
	Earnings per share (Note 3)	1.05	1.05	-
Dividends per share	Cash dividend	0.6	(Note 9)	-
	Stock dividends	From earnings	(Note 9)	-
		From capital reserves	(Note 9)	-
	Cumulative undistributed dividends (Note 4)	-	(Note 9)	-
Analysis of investment returns	P/E ratio (Note 5)	17.66	17.64	-
	Price to dividends ratio (Note 6)	30.9	(Note 9)	-
	Cash dividend yield (Note 7)	0.032	(Note 9)	-

* If there is increased capital by recapitalization of earnings and capital surplus, the information on market prices and cash dividends retroactively adjusted in accordance with the number of shares issued should be disclosed.

Note 1: List the highest and lowest share price in each year, and calculate the average market price by weighing transacted prices against transacted volumes.

Note 2: Please calculate based on the number of outstanding shares at year-end, and detail the amount of distribution resolved in next year's shareholders meeting.

Note 3: If stock dividends are issued, make retrospective adjustments while disclosing EPS before and after the adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the company makes profit, then the amount of cumulative undistributed dividends up till the current year must be disclosed separately.

Note 5: $P/E \text{ ratio} = \text{Average closing price per share for the year} / \text{earnings per share}$.

Note 6: $\text{Price to dividend ratio} = \text{Average closing price per share for the year} / \text{cash dividends per share}$.

Note 7: $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{average closing price per share for the current year}$.

Note 8: Net worth per share, for earning per share, the Company should fill up the data duly (certified) audited by the Certified Public Accountants of the latest quarter as of the Annual Report date. For other boxes, the Company shall fill up the data of the current year as of the date of Annual Report issue: As of the Annual Report date, the Company's financial statements as of the first quarter had not been audited by the Certified Public Accountant.

Note 9: For Year 2017, the data of distribution of the annual earning had not yet passed the shareholders' regular meeting.

(VI) The Company's dividend policy and fact of implementation thereof.

1. The dividend policy as covered under the Company's Articles of Incorporation:

The Company operates amidst a volatile environment where the corporate life cycle is in stable growth. Given the Company's future need for working capital and long-term financial planning to satisfy shareholders in their need in cash inflow. With the earning of the Company as shown through the final account settlement, the distribution shall be conducted based on the following priority order:

- (1) Tax to be duly appropriated according to law.
- (2) The sum to make up loss in previous year(s).
- (3) The sum to appropriate 10% legal reserve.
- (4) The sum for special reserve which should be appropriated according to law.
- (5) From the final balance of earning, if any along with unappropriated retained earnings of the preceding year, there shall be the distributable earning. A part of the distributable earning may be retained as bonus to shareholders of which the cash dividend shall not be lower than 50% of the total bonus to shareholders.

Where the cash dividend is below @NTD0.1 per share, such dividend shall be granted in stock dividend instead.

2. Facts the present shareholders' meeting intends to distribute dividend:

The Company's earning allocation chart as of Year 2017 was duly resolved in the board of directors on March 13, 2018:

Unit: NTD

Item	Amount
The net profit after tax in 2017	310,738,617
Minus: Appropriation of legal reserve	31,073,862
Plus: Unappropriated retained earnings at end of the term	1,006,469,723
Plus: Adjustment of retained earnings in 2017	2,676,254
Distributable earning in 2017	1,288,810,732
Minus: Bonus to shareholders (Cash dividend at @NTD0.6 per share)	178,848,648
Closing undistributed earnings	1,109,962,084
The cash dividend in present distribution is rounded off to the nearest whole number of New Taiwan Dollar and the fraction less than one New Taiwan Dollar shall be discarded Amount of odds less than NTD1.	
To be converted into the Company's other revenue	

3. Anticipated significant change in dividend policy: None

(VII) The impact of issuance of bonus shares proposed in the present shareholders' meeting upon the Company's business performance and earning per share:

In the Company, the shareholders' meeting does not propose issuance of bonus shares in 2018.

(VIII) Remuneration to the employees, directors and supervisors:

1. Percentage and scope of remuneration to the employees, directors and supervisors as specified under the Articles of Incorporation:

From the profit made by the Company, if any, a sum 1%~15% shall be appropriated as remuneration to employees, and a sum within 3% maximum shall be remuneration to directors. Where the Company remains in accumulated loss, nevertheless, the sum to make up the loss shall be first withheld. The payees of remuneration to employees mentioned in the preceding Paragraph may include employees of subsidiary firms who satisfy the specified conditions. Such conditions shall be stipulated by the board of directors.

2. The grounds to estimate the remuneration to employees, directors and supervisors: In case of a differential gap between remuneration to employees in amount of actual distribution to be distributed in stocks and the previously estimated amount: In case of a differential gap from the estimated amount, such differential gap is entered as the profit and/or loss of the ensuing fiscal year.

3. Remuneration to be distributed as resolved in the board of directors:

- (1) The amounts of the remuneration to employees, remuneration to directors and supervisors to be distributed in cash or stocks In case of a differential gap in recognized expense from the estimated amount in the year, the amount of differential gap, causes and countermeasures shall be disclosed in full:

In 2017, the remuneration to employees was estimated at NTD21,750,000; the remuneration to directors was estimated at NTD3,300,000 which were recognized and resolved by the board of directors in full on March 13, 2018, without any differential gap at all compared with the amount estimated for the year.

- (2) The percentage of amount of remuneration to employees to be distributed in stocks to the aggregate total of the net profit after tax as shown through the individual financial statements or respective financial statements and the aggregate total of remuneration to employees: The Company does not propose

or anticipate to distribute bonus to employees in stocks.

4. The substantial distribution of remuneration to employees, directors and supervisors in the preceding year (including the number of shares, amounts to be distributed, stock price), with a differential gap from the recognized remuneration to employees, directors and supervisors, the causes and the countermeasures:

In 2016, the estimated remuneration to employees NTD21,750,000, remuneration to directors NTD3,300,000 which were resolved in the shareholders' meeting convened on May 26, 2017 in full, without any differential gap in amount between the recognized amount and the estimated amount.

(IX) Facts of shares repurchased by the Company: None

II. Disclosure relating to corporate bonds: None

III. Disclosure relating to preferred stock: None

IV. Disclosure relating to depository receipts: None

V. Employee stock warrants: None

VI. The new shares from restricted employee stock option: None

VII. Disclosure on new shares issued in exchange of other company shares: None

VIII. Progress on the use of funds:

(I) Contents of the plan

As of the quarter preceding the date of publication of the annual report, the negotiable securities in respective issuance or privately-offered negotiable securities have not been completed, or those having been completed but with the benefit not yet demonstrated in the past three years: None

(II) Facts of implementation

With the purposes of various plans mentioned in the preceding Paragraph, with item by item analysis to the quarter preceding the date of publication of the annual report. The fact of implementation and comparison with the anticipated benefits: None

Five. Business performance

I. Content of business:

(I) Scope of business operation:

1. Major contents of the business operation undertaken and business proportion:

(1) Major contents of the business operation undertaken:

- A. Manufacture, buys, sales of medicinal, pharmaceuticals, agricultural & industrial products, pesticides, livestock pharmaceuticals, domestic hygiene cleaning articles
- B. Manufacture, buys and sales of personal hygiene & health-care articles (medicated shampoos, medicated facial cleanser, facial soaps, medicated soaps, health-care shower lotion, toothpaste, toothbrushes, tooth lotion, dental flosses, mouth fresh fragrance sprays and the like), cosmetics, medicated cosmetics and skin care products (wrinkle crème, spot concealer, moisturizing cream, emulsion, cosmetic lotion and the like).
- C. Manufacture, buys and sales of food industrial products and feed.
- D. Buys and sales of the products linked up with the above and the machinery & equipment, utensils thereof.
- E. Agency services, buys and sales of chemical fertilizers.
- F. Agency services.
- G. The import and export trade for all aforementioned items.
- H. Import, buys and sales of medical care instruments.
- I. To commission construction firms to erect business buildings for lease and for sales.
- J. To publish a variety of magazines and books.
- K. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Operating proportions of the business line undertaken

Drugs for human use 72%, animal health products 8%, medical care appliances 12%, daily use health-care products 6%, others 2%.

2. The current merchandise items of the Company and new merchandise planned by the Company for upcoming development:

(1) The current merchandise items of the Company:

- A. Drugs for human use: Including prescription pharmaceuticals and pharmaceuticals subject to instructions, over-the-counter medicine, products provided in various dosage forms for various diseases.
- B. Medical apparatus and instruments: contact lenses solutions, sphygmomanometers, blood sugar meters, artificial joint prosthesis.
- C. Animal Health Products, supplementary supplies, feed additives: For animal-oriented medical treatment, prevention and treatment for diseases, nutrition aids.
- D. Daily supplies: Including toothpastes, tooth powder, mouth wash and such oral hygiene items, hand cleansing lotion, dry-wash for hand, body lotion, medicated soaps and such wash items, red polyphenol wine moisturizing facial mask, skin-care series, anti-acne series.
- E. Food nourishment: Nutrition supplements and such health-care foods.

(2) New products to be newly developed or planned to be newly developed.

In 2017, CCPC newly completed BE trial products in eight cases (in an aggregate total of 180 cases accumulated so far), with five cases among them having been granted licenses from the Ministry of Health and Welfare. In response to the requirements of advanced aging population, the Company has put forth maximum possible efforts to develop biotechnical pharmaceuticals and to team

up with foreign counterparts to bring in new technology & know-how and new products.

(II) Industrial profiles:

1. The status quo and development of the industry

The biotechnical pharmaceutical industry is the 5+2 key industry stressed by the government which intends to develop Taiwan into the biotechnical pharmaceutical stronghold in Asia-Pacific Region. Under the "ten-year program in support of biological technology industries" incentives, the markets of biotechnical pharmaceuticals are in affluent working capitals with the relevant commercial transactions in quite a boom. In an effort to highly upgrade momentum in biotechnical pharmaceutical oriented research & development, boost output values and competitive edge, the Company has actively teamed up with domestic academic giants into wholehearted research & development with efforts to bring innovative technology & know-how and products from foreign sources. In terms of licensed transaction amidst domestic technology & know-how, the high technology & know-how have been granted primarily from those giant research centers, notably Development Center for Biotechnology (Biotechnology Center), National Health Research Institutes and Academia Sinica. In Taiwan, we have accumulated tremendous research & development momentum for years toward new pharmaceuticals and are now marching toward the entire international community. So far we have gained significant outcome in the world markets and have won favorable graces from cross-national giants and have, in turn, won significant licensing and authorization from overseas giants. Amidst the similar cultural backgrounds, we have endeavored solid layout in Hong Kong, Macao and entire China.

In terms of government policies and laws: (1) The current government authorities launch "5+2 industrial innovation programs", including notably "green science & technology", "Asian Silicon Valley", "Intellectual machinery", "national defense oriented science and technology industry", "Asia-Pacific Region Biotechnical Pharmaceutical Research & Development Center", "new agriculture", "circulatory economy". Among them, the program of Asia-Pacific Region Biotechnical Pharmaceutical Research & Development Center focuses on "link the future, link international community and link native strongholds". In solid implementation, we firmly dominate advantageous resources to chain the sporadic elements, integrate two ends in production and demand into an integrated industrial strongholds without any disconnection. To date, we have chosen four targets, i.e., Nangang of Taipei, Zhubei of Hsinchu, Central Taiwan Science Park and Tainan Science-based Industrial Park into the strong research & development clusters to build into the strategic biotechnical pharmaceutical stronghold site in Asia-Pacific Region. Through the multiple efforts with sound policies, investment in resources, integrated facilities, resources, human resources and working capitals, we shall strengthen the research & development performance through teamwork with heavyweight international giants to successfully build such biotechnical pharmaceutical base in Asia-Pacific Region. (2) The "Act for the Development Of Biotech and New Pharmaceuticals Industry" will be expanded into the applicability and targets. The Cabinet meeting granted on November 10, 2016 a pass of amendment to Article III of the "Act for the Development Of Biotech and New Pharmaceuticals Industry" as proposed by the Ministry of Economic Affairs. The very key point of amendment to the aforementioned Draft is to ease up the scope of applicability under Paragraph IV "high-risk medical apparatus and instruments" to better orient to the current technical level. The government authorities would, meanwhile, encourage manufacturers to further invest into research & development of "high-risk medical apparatus and instruments". With newly added Paragraph V,

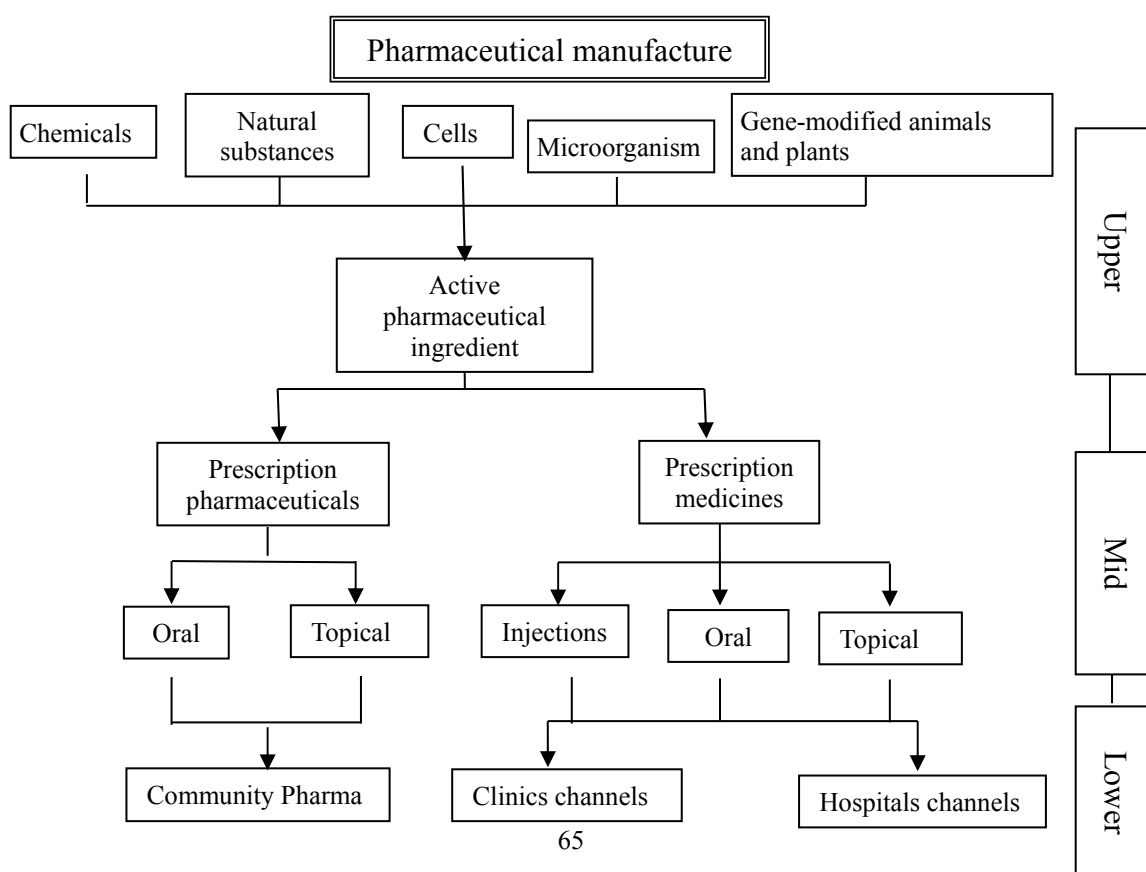
the newly developed biotechnical pharmaceuticals products" would be covered into the scope of applicability, notably precise medical care services, gene therapy, cell therapy and pharmaceuticals consistent with Paragraph IV of the United States. Through such efforts, the government authorities would encourage industries to further invest into prophylactic medicine and regenerative medicine and development toward such new domains. With the aforementioned amendment, the biotechnology-oriented new pharmaceuticals will be covered into the fields of high-risk medical apparatus and instruments, into prophylactic medicine and regenerative medicine to further boost development of biotechnical pharmaceuticals. The aforementioned Draft officially passed the review process by the Legislative Yuan (The Congress) and was officially promulgated into enforcement on January 18, 2017. Toward the biotechnical pharmaceutical industry, the new addition of the domains in the biotechnical pharmaceutical products will be conducive toward further investment into the up-to-date trend, especially research & development on biotechnical pharmaceutical products with high technical threshold. Furthermore, such trends and efforts will guide Taiwan's pharmaceutical industry into a substantial transformation to better gear up with the global trend in pharmaceutical research & development and to further boost Taiwan into added competitive edge in the international community.

(3) The government is launching the Southern-Bound Policy. As Tsai Ing-Wen government took office in 2016, the government in Taiwan has tried to get rid of the risk of long-term over-dependence upon China to expand targets in international trade with efforts to strive for new target markets. In recent years, Southeast Asian nations have emerged as the "Asian manufacturers" catching eyes from the entire world as the new hot choices for investment by international giants. At the moment, Southeast Asian nations represent the second largest export markets and the second choice of overseas investment in Taiwan. Those Southeast Asian nations have become the key partners of Taiwan economy. As the government is launching "Southern Bound Promotion Programs" with wholehearted efforts to bring all ministries into a whole into "economic & trading cooperation", "diversified, comprehensive and multifaceted development", "human resources exchanges", "joint share of resources" as well as "chain association of the entire regions". Amidst such hot trends, the Company along with entire Taiwan will associate themselves with Association of Southeast Asian Nations (ASEAN), South Asian, New Zealand and Australia into the "firm consciousness of economic community". In Taiwan, quite a few biotechnical pharmaceutical manufacturers have invested and developed toward Southeast Asia and have gained success with efforts for years. Now, with support with the government policies, Taiwan's biotechnical pharmaceutical manufacturers have been in heated interchanges with the Southeast Asian counterparts. Besides, Taiwan Pharmaceutical Manufacturers Association officially set up "Southern Bound Office of Taiwan Pharmaceutical Manufacturers Association" in Malaysia in June 2017 to render handy services toward the Taiwan-based biotechnical pharmaceutical manufacturers amidst the firm support with laws and ordinances concerned behind. That would be very conducive toward cooperation and interchanges in the economic & trading chains, to co-share mutual resources for sound cultivation & training programs for talented human resources into handy concerted sales promotion into the international community. By teaming up with the advantageous momentum, we hope to convert such momentum into impetus toward Southern-Bound into Association of Southeast Asian Nations (ASEAN) markets.

(4) The clinical teamwork by and between both sides of Taiwan Strait has officially started. Though such clinical teamwork once came to a standstill after the new government took office, the cross-strait medical care and health cooperative meeting eventually saw a new improvement in April 2016. Taiwan Food and Drug Administration (TFDA) announced on April 26, 2016 to team up with counterpart in China and CFDA to

launch official cooperation in clinical trial efforts. Under such encouraging cooperation, Peking Union Medical College Hospital, Peking University First Hospital, Zhongshan hospital affiliated to Fudan University, Ruijin Hospital affiliated to School of Medicine, Shanghai Jiao Tong University of China teamed up with Taiwan's Taipei Veterans General Hospital, Tri-Service General Hospital, National Taiwan University Hospital and Chang Gung Memorial Hospital, Linkou Branch to become the firm strongholds to be acknowledged by and between both sides of Taiwan Strait, known as "4+4" Cooperation. Thanks to such landmark cross-strait teamwork, we could significantly minimize the potential waste of repeated clinical trials, minimize costs, cut short the time schedule required for pharmaceutical clinical trials, accelerate new pharmaceutical research & development cooperation to have new pharmaceuticals landing the markets at an accelerated pace. In turn, that would mean very significant benefit toward Taiwan's biotechnical pharmaceutical development. On the other hand, nevertheless, as Taiwan's new government took office in May 2016, the cross-strait relationship underwent a harsh challenge. As addressed by some sources, the cross-strait biotechnology cooperation "would come to an overall suspension". On October 25, as report does, the first clinical trial by and between both sides of Taiwan Strait was officially launched. Under the teamwork, Taiwan's clinical trial firm Chia Sheng Company was commissioned by the Shanghai counterpart Xuan Tai Hospital for human clinical trial for the generic posaconazole. The "human bioequivalence trial" was successfully accomplished at Tri-Service General Hospital in Taiwan, satisfactorily living up to the requirements of both CFDA of China and FDA of the United States. Thanks to the successful clinical trial, we could apply to China and the United States for posaconazole licensing. But which side would be the real beneficiary of the teamwork in clinical trial by and between both sides of Taiwan Strait, the biotechnical pharmaceutical manufacturers in China or in Taiwan? The answer is ambiguous. Under the impact of "political factors", Taiwan's biotechnical pharmaceutical manufacturers might be even at a disadvantage. The distance of biotechnical pharmaceutical development by and between both sides of Taiwan Strait might be even enlarged. This deserves our serious watchfulness.

2. Association among the upper-, mid- and lower streams



In pharmaceutical manufacture process, the upper-stream raw materials come from such sources including chemicals, natural substances, cells, microorganism and gene-modified animals and plants. The manufacturing process might include synthesis, extraction of compounds, fermentation of biotechnology, fermentation of semi-synthesis and such manufacturing processes in combination.

In the mid-stream of pharmaceutical manufacturing process, the processed raw materials are manufactured into a variety of preparations which, according to law, are classified into prescription medicines, medicines subject to instructions and patent medicine and, by usage means, are classified into topical preparation, oral preparation and injections.

The prescription medicines are unavailable unless granted with physicians' prescriptions and could be purchased by the downstream buyers including primary clinics and hospitals. The medicines subject to instructions are available under instructions of physicians or pharmacists, largely purchased by downstream users as the community pharmacies.

3. A variety of development trends for products

In Taiwan, the unblinded data from the phase II/III clinical trials of breast cancer therapeutic vaccine OBI-822 was released on February 21, 2016. The preliminary data revealed statistical insignificance between the treatment group and the control group in the primary endpoint comparison rejecting the hypothesis. That led to tremendous fluctuation in stock prices, tremendously dampening investors of biotechnical pharmaceutical stocks. Even worse, as burst into the mass media, the of biotechnical pharmaceutical developers were alleged to have committed inside trading against Securities and Exchange Act, as a tremendous strike against Taiwan's top academic Academia Sinica as well as biotechnical pharmaceutical industry, leading to suspicion over asymmetry in information and the government management over listed securities and securities traded over-the-counter. Over the past year or two, the capital market underwent tremendous shock with the significant information, leading to tremendous fluctuations in the biotechnical pharmaceuticals. The Financial Supervisory Commission, in response, reassessed the listing qualification requirements for biotechnical pharmaceutical stocks and adjusted the rules for concentrated custody to strengthen exposure of information and underwriting responsibilities. On May 2016, the Financial Supervisory Commission promulgated new supervisory control measures over science and technology oriented industries (including biotechnology industries), primarily focusing on control of pre-listing capital, with addition that before application for science and technology oriented stocks for listing, the applicant should submit the financial statements officially certified or audited by a Certified Public Accountant where the net worth should not be below two-thirds of the share capital. The new control measures further expanded the targets for centralized custody to cover the core members of the key research & development teams and technical firms, to prolong the current period of centralized custody from one to two years, with strengthened demand for disclosure of information and education upon investors. Those key roles notably Academia Sinica and Technology Ministry reassessed the rules governing technical transfer to prevent potential recurrence of such same problem. Though new measures would well regulate the utilization of research & development outcome into an appropriate mechanism but would, on the other hand, inevitably dampen sound development of the research & development outcome and discourage potential investors. In the wake of the shock in that event, the investment in capital market toward biotechnical pharmaceutical stocks was chilled all of a sudden, bringing the three-year long biotechnical pharmaceutical heat into a downturn, tremendously discouraging the industry from capital raising into a significant impact upon

innovation development. In the long-run, through the prolonged efforts to better regulate the system, the entire industry would be regulated into a sound research & development trend, into a more transparent investment climate. Subsequently thereafter, more and more research & development would be guided into new pharmaceuticals to reinstate confidence from investors.

4. Facts in competition

As Taiwan is entering the aging society at an accelerated pace, the demands for heavy medical care services are rising at a rapid pace. The per capita medicine expense was raised from US\$223.1 in 2012 up to US\$240.6 in 2016. Amidst the rapidly mounting expenditures on medical care services, the government in Taiwan puts forth maximum possible efforts to minimize costs for medical care services. Through continued efforts to adjust insurance premium rate, deductible and National Health Insurance oriented prices, the government has tried to put the expenditures in medical care services into a better control. Under such circumstances, the pharmaceutical markets in Taiwan largely grow at a stable pace for years since 2000. Since then, the government authorities have enforced a policy to adjust and update National Health Insurance oriented medicines every other year. That is a very tremendous factor and impact upon Taiwan's pharmaceutical markets into further growth. In 2012, in particular, the adjustment of pharmaceutical prices virtually restricted Taiwan's pharmaceutical market from growth. Starting from 2013, the government further implemented the "pharmaceutical expenditure target statutory period of limitation" in trial practices for two years in a row, taking the value in excess of specified targets as the maximum limit for pharmaceutical price adjustment. In February 2016, the National Health Insurance Administration, Ministry of Health and Welfare announced the outcome of the pharmaceutical price adjustment, ruling out pharmaceuticals as essentials in medical care services and rare diseases or orphan diseases, raising prices for 148 and bringing down prices for 7,392 items, leading the aggregate total of decreased prices to NTD3.18 billion, or at approximately -2.1%. In 2016, amidst the impact of control over National Health Insurance oriented pharmaceuticals, the growth size of Taiwan's pharmaceutical markets was further cut. According to BMI statistics, in 2016, Taiwan's pharmaceutical markets grew by 3.9% over 2015, in the aggregate total market scale at NTD 181.57 billion. With further observation into pharmaceutical markets in all categories, in Taiwan, Cf. (Fig. 4-1-2), patent brand-name drugs primarily dominate the markets. In 2016, the sales values of patent brand-name drugs came to NTD117.37 billion, accounting for 64.6% of the entire pharmaceutical markets; generic pharmaceuticals accounted for 27.8% with sales values up to NTD50.44 billion; OTC drugs at NTD13.76 billion, a ratio of 7.6%. To further watch pharmaceutical sales values in 2016 in comparison with 2012 toward the change of the respective ratios of various categories, ratio held for sales values patent brand-name drugs slightly dropped from 65.1% in 2012 to 64.6% in 2016, generic pharmaceuticals rose from 27.2% in 2012 up to 27.8% of 2016; OTC drugs slightly down from 7.7% of 2012 to 7.6% of 2016.

Statistics and presumption of pharmaceutical manufacture output values in Taiwan
2012 ~ 2016 (Expressed in Hundred Million New Taiwan Dollars; %)

Item	2012	2013	2014	2015	2016	
					Output value	Growth rate
Active pharmaceutical ingredient	261.7	306.8	241.1	185.7	185.1	-0.3
Western medicine preparations	349.8	353.0	351.8	368.3	416.0	12.9
Biological medicines	13.6	11.8	14.0	10.6	11.6	9.2
Traditional Chinese medicine preparations	76.4	79.6	86.8	88.8	82.4	-7.2
Total	701.5	751.2	693.7	653.4	695.1	6.4

Note: A trivial differential gap is inevitable in the data of various industries and the growth rates because of the rounding.

Sources: The Statistics Department of Ministry of Economic Affairs (June 2017); DCB Asset Section, Organized by IT IS Research Team.

Import and export statistics of pharmaceutical manufacture industry 2012~ 2015
(Expressed in Hundred Million New Taiwan Dollars; %)

(Expressed in Hundred Million New Taiwan Dollars, %)

Item	2012	2013	2014	2015	2016	
					Amount	Growth rate
Import values						
Active pharmaceutical ingredient	58.0	55.0	54.5	65.0	62.1	-4.5
Western medicine preparations	553.4	625.5	640.5	703.2	731.0	3.8
Biological medicines	111.0	109.1	112.9	132.1	156.3	18.3
Traditional Chinese medicine preparations	0.4	0.5	0.5	0.7	0.5	-29.1
Total	722.8	790.1	808.4	901.0	949.8	5.3
Export values						
Active pharmaceutical ingredient	62.8	42.0	36.8	42.0	49.9	18.9
Western medicine preparations	86.6	96.7	98.9	110.7	113.0	2.1
Biological medicines	0.9	3.5	3.1	2.3	3.3	39.0
Traditional Chinese medicine preparations	5.0	5.4	6.2	7.1	7.0	-1.0
Total	155.3	147.6	145.0	162.1	173.2	6.8

Note: A trivial differential gap is inevitable in the data of various industries and the growth rates because of the rounding.

Note: Import and export statistics of the customers of the Western medicine preparations exclude the import and export statistics values of biochemicals and traditional Chinese medicine preparations

Sources: Customs Import and Export Statistics of Customs Administration, Ministry of Finance (2017. 06); DCB Asset Section, Organized by IT IS Research Team.

Through analyses onto changes in output values in various industries, the raw

material medicine output values showed mixed fluctuations in all quarters of 2016, with the output value 2016 hitting NTD18.51 billion, with leveling-off performance in 2015. Amidst the impacts of the government measures to further control over budgets for National Health Insurance medicines and with enforcement of PIC/S GMP in the past years, the output values of Western medicine preparations grew at slow-down pace. In 2016, in the wake of successful deployment of overseas markets in 2015, the output value hit NTD41.6 billion, with impressive growth at 12.9%, as the very momentum for pharmaceutical manufacture growth in Taiwan. In Taiwan, there has not been any new biochemical hitting markets. The output values largely came from vaccines and blood preparations and were significantly subject to the impact on the market need. In 2016 with influenza epidemic outbreak, the demand for vaccine skyrocketed, bringing the annual output value in 2016 growing to NTD1.16 billion, growing by 9.2% over 2015. In 2016, the output value of traditional Chinese medicine preparations came to NTD8.24 billion, declining by 7.2% compared with 2015.

Traditionally, Taiwan's pharmaceutical markets long depend upon import. The Western medicine preparation manufacturers have concentrated in certain specific product items. In fact, the entire pharmaceutical manufacture industry has long been in trade deficit with import values in excess of export values. In the entire 2016, the import pharmaceutical values hit NTD94.98, growing by 5.3% over 2015 and the export value amounting to NTD17.23 billion, growing by 6.8% over 2015.

In Taiwan, raw material pharmaceuticals have been largely imported to supply the local Western medicine preparation manufacturers, with the import value in 2016 amounting to NTD6.21 billion, growing by 4.5% compared with 2015. The raw material pharmaceuticals manufactured locally have been exported in most cases. In the wake of wholehearted efforts to promote raw material pharmaceuticals into the world markets, raw material pharmaceuticals showed a sign of growth in 2016, up to NTD4.99 billion output value with an impressive 18.9% growth rate.

In 2016, Western medicine preparations showed growth in both import and export values. In 2016, the import value was up to NTD73.1 billion, growing by 3.8% compared with 2015. Amidst continued efforts in export promotion, the total export value of Western medicine preparations in 2016 hit NTD11.3 billion, growing by 2.1%, year-round. Western medicine preparations represented as the key sources of export momentum of pharmaceuticals in Taiwan. Biochemicals have long been in trade deficit, especially when biochemicals have long been in mounting demand and have been covered within the National Health Insurance subsidy, making the import value continually on the rise. In 2016, the total import value of biochemical grew by 18.3% as compared with 2015, amounting to NTD15.63 billion. Amidst heated cooperation programs with overseas counterparts in vaccines, the biochemical export has been significantly stimulated, up to NTD330 million in total export value in 2016, growing by 39.0% as compared with 2015.

Amidst politic incentives toward development of new pharmaceuticals and amidst heated investment by biotechnical pharmaceutical manufacturers with heavy injection of working capital, the research & development efforts of new pharmaceuticals have continually without an interruption been on the rise. In observation of the orientation for new pharmaceutical development toward various pharmaceutical categories, at the moment those micromolecular new pharmaceuticals account for the majority, in particular those new pharmaceuticals represent the development orientation. Development of bio-pharmaceuticals has been slower in pace than micromolecular pharmaceuticals. In recent years amidst international concern and amidst the government efforts to promote protein pharmaceuticals and protein drugs, investment in bio-pharmaceutical research & development has been in

accelerated pace and the bio-pharmaceutical cases entering into clinical trial process have been in faster pace in growth. In recent years in Taiwan with specifications for cell therapy products clinical trial application & review promulgated step-by-step to boost cell therapy products oriented research & development, more and more cell therapy products related clinical trial have been carried out in Taiwan. In terms of analyses on disease fields, as cancers become increasingly prevalent, new medicine toward cancer has been strengthened throughout the entire world. In Taiwan, pharmaceutical manufacturers have invested huge human resources and capital funds into cancer-centered research & development. Meanwhile, many pharmaceutical manufacturers have heavily invested in research & development toward anti-infection medicines, digestion, metabolism and cardiovascular medicines. Besides, combined immunotherapy for cancers, precision medicines and artificial intelligence into medicine research & development has become extremely hot topic in the international community. The academic authorities, research institutions and manufacturers have invested into such fields one after another to get geared with the international community.

In the days and years ahead amidst the trends of aging society and continued growth in chronic diseases, harsher control over medicine prices might become a regular emphasis of systems. Pharmaceutical manufacturers should inevitably face up to the mechanism of renewed evaluation on medicine prices to carry out economic analyses and research toward pharmaceuticals to set up a new mode for profitability. As consumers become increasingly aware of efficacy in medical care services, government authorities become increasingly serious toward expenditures on medical treatment services and patients would increasingly participate in medical treatment services oriented power of speech and participation, the future medical treatment services shall be more centered onto patients. Value is the major orientation of development. How shall we conduct more precise economic analyses on pharmaceuticals into the pharmaceutical prices to reflect rational values satisfactory to both medical treatment service providers and government authorities into multiple wins along with valued pharmaceuticals or services? These should be the new thinking modes for the pharmaceutical manufacturers.

(III) Technology & know-how and research & development in summary:

1. In the latest year until the date as of Annual Report issuance, CCPC invested a total of NTD426.188 million into pharmaceutical research & development which will slightly increase to NTD428.154 million in 2018.
2. Research & development fruits:
 - (1) In 2017 toward drugs for human use, the Company successfully accomplished a total of seven items in independent research & development, application for procedures concerning registration and market approval, including: One item in low blood pressure and shock therapy, one item in anti-hypertension, one item toward ulcer healing, one item in cephalosporin antibiotics, two items in non-addictive painkiller and non-steroidal anti-inflammatory drugs and one item toward anti-filterable virus medicines.
 - (2) In 2017 toward animal oriented products, the Company successfully accomplished a total of three items in independent research & development: Two items in anti-parasitic drugs, one item in antibacterial agent.
 - (3) In 2017, the Company successfully accomplished a total of five items in independent research & development, application for procedures concerning registration and market approval in export-oriented drugs for human use OEM.
 - (4) In China, the Company successfully obtained 84 categories and 60 specifications of solid dosage forms; 95 categories and 34 specifications for power, injection

dosage forms.

3. Future research & development programs

- (1) In the operating strategy as an "integrated pharmaceutical manufacturer", CCPC shall land in the international community markets to set up teammate relationship with API, finished products through vertical integrated research & development with the overseas cooperative partners.
- (2) Teaming up with cooperative partners with marketing channels in the international community, the Company will try to create strategic alliance to jointly develop the international markets for generic pharmaceuticals.
 - Continued efforts to boost research & development capability.
 - Promoting brand images
- (3) Taking advantage of the special key technology & know-how platforms, the Company will boost market at home and abroad.
- (4) In response to the market trends and demand for generic pharmaceuticals, the Company will launch tremendous research & development efforts toward niche products to satisfy the vast demands in European and American and Japanese markets to better satisfy customers at home and abroad in high quality and high competitive edge.
- (5) Close teamwork among business, academic, research and government celebrities to develop new pharmaceuticals.

(IV) Long- and short-term business development programs

1. Short-term business development programs:

- (1) Develop toward giant scale hospital channels with wholehearted efforts
- (2) Develop new product lines, new market channels with wholehearted efforts.
- (3) Develop and serve grassroots level medical institutions and drugstores with wholehearted efforts to boost customer coverage rate and transaction amounts.
- (4) Strive for opportunities for affiance with counterparts with wholehearted efforts

2. Long-term business development programs

- (1) Set up main force category customer bases.
- (2) Land in the international markets through professional OEM.
- (3) Further develop markets in European and American regions and Japan.
- (4) Develop toward medical treatment instrument markets.
- (5) Develop health service oriented merchandise and design modulized cooperative programs

II. Market and sales overview:

(I) Market analyses:

The Company primarily engages in human oriented drugs, animal health products, household effects, health foods, health services. Among them, human oriented drugs, animal health products are primarily manufactured by plants under CCPC jurisdiction. Based on the ingredients of the products, dosages, dosage forms and varied demands, the Company procures raw materials & materiel from upstream suppliers before manufacture and purchases packaging materials from only qualified suppliers after all those raw materials & materiel satisfactorily pass quality control. To assure stable and uninterrupted supply in trustworthy quality, our quality assurance specialists conduct audit and guidance toward the suppliers either on a regular basis or from time to time on a nonscheduled basis. The Company primarily purchases household effects, health-care foods from upstream suppliers as very large scale suppliers at home and abroad. The major market channels of the Company include medical institutions of all levels, chain drugstores, volume or discount stores and the like. In response to the government policies to upgrade pharmaceutical quality and strengthen food security control, the Company has been in an overall launch of disclosure of key raw materials DMF, excipients along with positive promotion of medicine storage, delivery to satisfy GDP

specifications to assure definite quality of sales channels in sound connection with warehouses.

The Company's animal health products have primarily been marketed toward pig farms, chicken farms, dairy farms, feed manufacturers, animal hospitals, drug product stores and such customers. In the total animal health products markets, the Company holds approximately 8% market share. The Company's household effects are mainly marketed through retail channels island wide in entire Taiwan, including hypermarkets, supermarkets, convenience stores, cosmeceuticals stores, Government Servant PX Center, Whole Associated Clubs and the like. The Company's health-care items are primarily marketed through chain drugstores. The Company renders health oriented services toward general public in communities, clinics and large-scale hospitals.

Analyses into future development visions for key products amidst advantages and disadvantages, as enumerated below:

In terms of drugs for human use markets: Under the National Health Insurance oriented policy amidst growing population, aging of population, the pharmaceutical markets show signs of an insignificant growth. This pharmaceutical market is closely linked up with the government and National Health Insurance related policies as well as investigation and adjustment of pharmaceutical prices. Where additional premium of National Health Insurance (better known as Generation No. 2 National Health Insurance premium) officially passed the Legislative Yuan (The Congress) session, the investigation over new National Health Insurance oriented pharmaceutical prices will be conducted toward same dosage forms, same ingredients and same pricing. The targets for pharmaceutical payments in the pilot scheme will be toward official format. The pharmaceutical price investigation will be conducted on an annual basis as a harsh challenge to the Company when we work out operating strategies. Those users-pay pharmaceutical products and services, with promotion toward markets in Europe, the United States and Japan will gradually become the new realms in our pharmaceutical manufacturing efforts.

In terms of animal oriented products, amidst the restriction and compliance of environmental protection oriented laws, animal husbandry runs into difficulty in expansion and is operating in a small scale. With efforts to boost competitive edge, the Company shifts itself through contracted animal husbandry practices with feed mills. Meanwhile, amidst increasingly harsher control over the drug residues, the government has deleted certain feed additives containing medicine and, meanwhile, duly enacted Regulations Governing Quality Control over Veterinarians in Prescription Medicines to strictly control use of antibiotics, leading to a glut market. The harsh price competition would adversely affect the Company's gross profit. In our future efforts, we shall exert efforts toward animal nutrition and health-care realms and animal vaccine markets with positive acts to market a variety of nutrition and health-care products to bypass the harsh price wars in antibiotics powder and medicated feed additives. We shall exert added efforts toward management and sales of high gross profitability products to restructure our products and sales to boost gross profitability.

(II) The major purposes and manufacturing process of key products:

1. Key purposes of our principal products:

- (1) In terms of generic pharmaceuticals and medicated pharmaceuticals: We shall provide general public for health care and medical treatment with medicines to enhance their health.
- (2) Animal health products: We shall try to provide pharmaceuticals toward animal medical treatment and disease prevention.
- (3) Feed additives: The Company provides additives to be mixed with animal or aquatic feeds to maximize the feed efficacy, assure feed quality to enhance livestock, poultry and aquatic growth, assure their health and offer other purposes.

- (4) Daily chemical product: Including notably medicated soaps, toothpastes, body lotion, mouth wash and facial cleansers and such detergents and health enhancement articles.
- (5) Health foods: We offer the third generation functional foods to enhance public health.
2. Manufacturing process:
- (1) Tablet manufacturing process (Tablets, capsules, antibiotics, commissioned processing, Products under cooperation):
- A. Tablets: Raw materials → Weighing → Smashing → Dry granulation → Mixing → Tablet-formation → Grading → Quality control → Warehousing.
↓ → Film-coated → ↑
- B. Capsules: Raw materials → Weighing → Smashing → Mixing → Filling → Grading → Wiping → Packaging → Quality control → Warehousing.
- (2) Injection manufacturing process (Injections, animal health foods, antibiotics, commissioned processing, Products under cooperation):
- Raw materials → Weighing → Preparation → Filtering → Gas Filling → Melt sealing → Sterilization → Leak test
↓
Containers → Bottle-wash → Dry sterilization → Filling → Rubber plugging → Aluminum capping → Sterilization → Grading
→ Packaging → Quality control → Warehousing.
- (3) Liquid & cream manufacturing process (Liquid & ointment suppository, animal health foods, commissioned processing, Products under cooperation):
- A. Liquid: Raw materials → Weighing → Preparation → Filtering → Storage → Filling → Capping → Packaging → Quality control → Warehousing.
↑
Containers → Bottle-wash
- B. Ointment: Raw materials → Weighing → Preparation & Emulsification → Cooling → Filling → Weight grading → Packaging → Quality control → Warehousing.
- C. suppository: Raw materials → Weighing → Preparation & Emulsification → Filtering → Heat preservation & storage → Filling → Packaging → Quality control → Warehousing.
- (III) Supply status of major raw materials:
- The Company's raw materials are primarily oriented to in coordination with product development to effectively deal with competition in sales (including both at home and abroad), Including notably: Cardiovascular and hypertension medicines, digestive system medicines, respiratory system medicines, nervous system medicines, anti-infection medicines, diabetic and endocrinology medicines, psychiatric medicines, cancer oriented medicines, immunosuppressive agent, Antipyretics and analgesics, prostate medicines, antihistamine, nutrition supplements, livestock & poultry medicines and supplementary feeds.
- Our regular suppliers are renowned manufacturers from European and American regions, India, China in the very premise of satisfying the laws and ordinances concerned currently prevalent within the specifications of the up-to-date pharmacopoeia. Where TFDA is imposing increasingly harsher demand upon raw material importation and GMP is adopting increasingly strict certification criteria, we are running into added difficulty acquiring raw materials and are likely to run into mounting costs. Anyway, nevertheless, we shall put forth maximum possible efforts to safeguard our optimal quality and most competitive pricing to gain added profits, as our supermen objectives. Besides, we provide those product items available from relevant departments toward international markets to live up the trends, to broaden our product horizons and create greater profits.
- (IV) Names of customers that have accounted for over 10% in total input (output) amounts in any single year amidst the past two years, with explanation of the causes leading to the increase/decrease change:

1. The customers that have accounted for over 10% in total input (output) amounts:
Information of suppliers over the past two years

Unit: NTD thousand; %

Ranking	2016				2017				In 2018 as of the preceding quarter (Note 2)			
	Name	Amount	Percentage to the year-round net input amount (%)	Relationship with the issuer	Name	Amount	Percentage to the year-round net input amount (%)	Relationship with the issuer	Name	Amount	Percentage to the net input value of the year (%)	Relationship with the issuer
1	P0002	379,175	11.09	None	—	—	—	—	—	—	—	—
2	—	—	—	—	—	—	—	—	—	—	—	—

Note 1: Enumerate the names of suppliers that have accounted for over 10% in total input amounts in the past two years and the input amounts and percentage thereof. Where the contract bans disclosure of the name of the supplier or where the transaction countermeasure is an individual and a non-related party, enter the code instead.

Note 2: As of the date of publication of the annual report, where a listed company or a company with stocks traded in the securities dealer's business premises holds the latest financial statements having been certified or audited by a Certified Public Accountant, such financial statements should be disclosed.

2. Names of customers that have accounted for over 10% in total output amounts: None.
A single customer that has accounted for over 10% in total output amounts.

(V) The output values over the past two years: Output value expressed in Thousand New Taiwan Dollars.

Classification \ Year			Productivity	2016		2017	
				Outputs	Output value	Outputs	Output value
Human oriented drugs	Injections	Thousand pieces	54,600	40,811	467,888	43,482	663,963
	Liquid creams	Kg.	574,000	127,390	52,265	115,658	53,664
	Tablets	Expressed on thousand pieces	2,296,000	1,890,077	1,865,088	1,896,384	2,049,670
Animal health products	Injections	Thousand pieces	2,650	620	53,072	628	50,632
	Liquid creams	Kg.	84,000	60,112	32,880	57,642	33,229
	Feed additives	M. T.	5,124	2,716	242,365	1,657	268,018
Plastic containers		M. T.	947	701	72,606	569	61,075
Total					2,786,164		3,180,251

(VI) Sales volume & value over the past two years: Sales value unit: Expressed in Thousand New Taiwan Dollars

Classification \ Year				2016				2017			
				Domestic sales		Export		Domestic sales		Export	
				Sales volume	Sales values	Sales volume	Sales values	Sales volume	Sales values	Sales volume	Sales values
Own products	Human oriented drugs	Injections	Thousand pieces	37,196	887,973	2,490	41,118	42,887	938,389	333	36,207
		Liquid creams	Kg.	126,791	101,875	2,087	1,454	115,902	107,176	1,092	1,239
		Tablets	Thousand pieces	1,714,872	2,492,920	110,048	369,980	1,823,109	2,808,552	122,711	430,952
	Animal health products	Injections	Thousand pieces	623	82,133	0	0	632	83,061	0	0
		Liquid creams	Kg.	56,565	58,108	0	0	59,769	55,819	0	0
		Feed additives	M. T.	2,251	312,157	0	0	1,644	347,752	0	0
	Plastic containers		M. T.	689	96,717	0	0	563	61,632	0	0
Instrument	Daily use health-care products		M. T.	2,015	284,173	0	0	2,585	361,864	0	0
	artificial joint prosthesis		Piece	89,429	393,805	0	0	94,001	356,595	0	0
	Pharmaceuticals and others			-	603,982	-	55,018	-	622,523	-	33,046
Total				-	5,313,843	-	467,570		5,743,363		501,444

III. Employees:

Item \ Year		2016	2017	Year-to-date March 31, 2018
Number of employees	Administrative staff	83	91	91
	Quality controllers	130	133	131
	Manufacturing personnel	638	688	683
	Research & development specialists	118	106	105
	Marketing personnel	566	594	610
	Total	1535	1612	1620
Average ages		39	39	39
Average years of service		6.4	6.9	6.7
Academic qualification	Doctoral Degree	0.21%	0.32%	0.25%
	Master's Degree	9.09%	8.27%	8.34%
	Bachelor's Degree	62.36%	61.14%	61.56%
	High school	24.95%	20.87%	20.66%
	Below high school	3.39%	9.41%	9.19%

IV. Contribution to Environmental Protection

In the latest year until the date as of Annual Report issuance, the Company has not developed any impairment in pollution (including compensation) and penalty thereof. In 2017, the Company spent NTD1.7 million expenditures in coordination with environmental protection evaluation on soil and groundwater.

V. Employer and employee relationships:

(I) Facts about a variety of fringe benefits for employees for higher education, training programs, retirement system and the enforcement thereof, accords reached by and between the labor and management sides, facts regarding the efforts and measures to safeguard employees' interests:

1. Measures regarding fringe benefits for employees and the enforcement thereof:

- (1) The entire CCPC staff members are entitled to labor insurance/national health insurance, labor pension and group insurance policy (with group insurance policy insurance premium solely paid by CCPC in full).
- (2) In the plant zones, the Company provide dorms for family dependents and for single employees.
- (3) Recreational facilities
- (4) Granting of birth gift cash to each and every CCPC employee.
- (5) Granting of gift award in cash upon the Labor Day and three Festivals (Chinese New Year, Dragon Boat Festival and Mid-autumn Festival)
- (6) The Company has duly set up the Employee Welfare Committee to carry out a variety of social programs and fringe benefits for employees (e.g., gift money upon marriage, funeral, birthday parties, company tours on spring and autumn, gifts offered on Middle-Autumn Festival (better known as Moon Festival), year-end evening gala, ball games among lots of others)
- (7) CCPC are entitled to subscription to new shares when the Company launches capital increase through cash injection.

2. Higher education, training programs and the enforcement thereof.

The Company spares no effort to help entire staff members into higher expertise, skills, working performance, quality of products. All departments have worked out sound educational & training programs exactly in response to need in the workplaces. The Company's Human Resources Department has further executed contracts and teamed up with outsourced educational & training institutions and universities to

sponsor such training curricula on organizational management, business administration and professional skills either on a regular basis or from time to time on a nonscheduled basis. Further in response to substantial needs, the Company selects and assigns right employees to receive educational & training programs under the auspices of outside institutions to strengthen employees in their expertise. Just to offer sound incentives to encourage employees into higher educational & training programs to keep abreast with up-to-date concepts and intellectuals, the Company has duly stipulated "Regulations Governing Encouragement toward Staff Members into Higher Educational & Training Programs" whereunder, all CCPC employees who meet the qualification requirements may engage in in-service higher education programs to study and work on master and doctoral degrees at the mean time while serving with CCPC. The Company further grants handsome subsidies when staff members work on professional educational & training programs at home or abroad.

Facts of enforcement Year 2017:

- (1) Educational & training programs for newcomers, benefiting a total of 90 trainees at the total training costs of NTD112,383.
- (2) In-house educational & training programs aiming at a variety of professional functions for staff in all levels, benefiting a total of 6,712 trainees (excluding safety & health oriented training programs)
- (3) In-house educational & training programs for employees toward their first, second and third specialties, with successful training for 153, 28 and 13 trainees in accumulation as of December 31, 2017.
- (4) The Company assigned right trainees to receive professional educational & training programs under the auspices of outside training institutions to benefit a total of 150 trainees, with total training fees amounting to NTD362,240 (with NTD24,600 incentive award granted by the Workforce Develop Agency, Ministry of Labor)
- (5) The Company signed contracts with outside professional training institutions for three-stage general education curricula in seven years, for a total of 245 trainees for whom the Company granted NTD831,144 training fees.
- (6) The Company teamed up with Yuan Ze University to sponsor EMBA Administrative Programs and Business Administrative credit programs in two phases (with each phase for three years). In 2017, a total of 37 CCPC employees participated in the cultivation & training programs at the total training fees of NTD610,802 (with NTD555,000 incentive award granted by the Workforce Develop Agency, Ministry of Labor)
- (7) Employees satisfactory to the requirements under "Regulations Governing Incentives Granted to Encourage Employees into Higher Education", two in number, studied in domestic Graduate Schools. The Company granted a total of NTD104,383 subsidy for the tuition fees.
- (8) In an attempt to minimize the severance rate, the Company launched seniority leadership system to train a total of fifteen employees, at NTD438,600 total training fees (In 2017, the Company successfully passed the review process by the Workforce Development Agency, Ministry of Labor for the training programs and hands-on enforcement to grant a total of NTD438,600 incentive award).
- (9) The Company opened English training seminars where a total of 30 employees participated and completed the programs. For the programs, the Company offered NTD346,470 training fees (In the wake of successful pass in the evaluation process, the Company received NTD176,000 incentive from the Workforce Development Agency, Ministry of Labor).
- (10) The Company sponsored in-house instructor educational & training programs to

successfully train a total of 24 instructors with total training fee of NTD255,937 (In the wake of successful pass in the evaluation process, the Company received NTD44,800 incentive from the Workforce Development Agency, Ministry of Labor). As of December 31, 2017, the Company had successfully trained a total of 319 in-house training instructors.

- (11) Under the CCPC-Academy Cooperation Programs, the Company has teamed up with universities/colleges at home and abroad into internship and hand-on workplace training programs to build talent pool. In 2017, CCPC closely teamed up with National Taiwan University, National Cheng Kung University, Soochow University, Kaohsiung Medical University, China Medical University Hospital, Chia Nan University of Pharmacy & Science, Tajen University, National Chin-Yi University of Technology, Minghsin University of Science and Technology, National Pingtung University of Science and Technology, Chung Hwa University Of Medical Technology as well as Ryerson University of Canada into CCPC-Academy Cooperation and practicum programs. In total in 2017, CCPC through such efforts cultivated 79 higher education students.
 - (12) Fruits in educational & training programs - Thanks to the exceptional CCPC efforts, the Company was awarded by the Workforce Development Agency, Ministry of Labor bronze medals for three years in a row. In 2017, the Company was granted financial subsidy amounting to NTD675,620.
3. Retirement system and enforcement thereof:
- On the grounds of Labor Standards Act, the Company has duly stipulated Regulations Governing Retirement by Employees. Under such Regulations, the Company allocates labor pension reserve fund into management of "Labor Pension Reserve Fund Supervisory Committee". Further as required under Labor Standards Act (under old system), the Company allocates full amount of pension reserve fund and deposits it into the Bank Account Earmarked for Labor Pension Fund in Bank of Taiwan. Since July 1, 2005, the employees who choose Labor Pension Act (new system) and newly hired employees appropriate 6% of their monthly salaries on a monthly basis as their pension reserve fund into their special individual accounts opened with Bureau of Labor Insurance. Such policy and efforts will well safeguard sound interests of CCPC employees.
4. Other major accords and enforcement thereof:
- To assure harmonious labor relationship to enhance sound teamwork by and between the labor and management to maximize efficiency at work, the Company has set up unions for the respective plant areas. Those unions sponsor labor-management conferences in accordance with the Union Organizational Act. Both CCPC management and CCPC employees have enjoyed admirable harmony. Never have they developed a dispute by and between the two sides.
5. Efforts to safeguard employees in their interests and the enforcement thereof:
- (1) Sound communications by and between the management and labor sides
Under sound CCPC labor policy, we commit ourselves to honoring entire staff for their privileges in liberal association and organization of work union. In Hsinfong Plant, for instance, the Union was founded more than half a century ago in 1956. The Union is chaired by the chairperson in concert with directors, supervisors and staffed with Union personnel to firmly safeguard employees' interests, enhance their expertise, assure their membership, strengthen professional skills of all Union members and promote fringe benefits of members. Meanwhile, the Union has played a very key role to help the competent authority of the government promote and implement government policies and regulations.
 - (2) Equal working ambiance

In faithful compliance with labor related laws and ordinances concerned of the nation to firmly safeguard employees in their labor interests, the Company strictly sticks to "equal" principle. Under no circumstances shall an employee receive a discrimination treatment in any aspect as a result of gender, nationality, ethnic race, religion or political stand.

In terms of promotion in position ranks, the Company sets no restriction on gender or age at all, completely disregarding employees' birthplaces, native places, political orientation and religion. The entire staff members are absolutely on an equal stance and will be granted a promotion as long as they satisfy the requirements in qualification requirements and capability. Furthermore, the Company has duly stipulated integrated regulations for duty assignment and promotion. The Company strictly complies with the aforementioned regulations in duty assignment and in recruitment of new employees.

(3) Prevention of a potential sexual harassment

In an attempt to prevent and deal with a potential sexual harassment in the workplace to assure an absolutely sexual harassment free circumstance for work and services, the Company has duly enacted "Regulations Governing Prevention and Treatment of Sexual Harassment at Workplaces" exactly in accordance with the "Act of Gender Equality in Employment" and "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace". In case of a sexual harassment event taking place among all personnel in the Company's workplaces (including employees, job applicants, technical interns and other interns) or among employees and job applicants or by and between employees and service targets: The Company offers handy grievance channel to a potential sexual harassment victim, with special phone and fax numbers, mailbox and special e-mail to report a sexual harassment, as enumerated below. All such relevant information is disclosed in the conspicuous positions at all workplaces.

To assure appropriate settlement of a sexual harassment grievance, the Company has duly set up the "Workplace Sexual Harassment Grievance & Settlement Committee (hereinafter referred to as Settlement Committee) which is staffed with one chairperson, one executive secretary and seven Committee members (with three representing the management side and four representing the labor side) to participate in the investigation, settlement and evaluation of a sexual harassment event. In entire Year 2015, no sexual harassment grievance was ever heard from CCPC employees.

(4) Safeguarding of employees' interests

The Company has duly stipulated sound and comprehensive managerial systems and regulations which expressly specify rights & obligations of employees. The contents of such systems and regulations are reassessed on a regular basis to assure absolutely sound protection of all employees in their interests. Amidst our serious concern about employees in their physical and mental fitness and health, we try not to request employees to work overtime as far as possible. Where an overtime work beyond regular working hours proves absolutely inevitable, we would consult with both the Union and the employees themselves for their consent and fill up the "application for overtime work" before an employee works overtime. The overtime work hours are within the regulations under the Labor Standards Act to assure physical and mental fitness of the employees and their harmonious families.

(5) Safety & health at workplaces

In hands-on practice to safeguard employees in their safety & health, in all plant zones of the Company, we have duly set up "Labor Safety & Health Committee" and safety & health heads, safety & health managerial officers in accordance with the Labor Safety & Health Act to conduct safety inspection and health examinations on a regular basis. They further work out inspection records and submit them to the Labor Inspection Office of the Ministry of Labor. The efforts to safeguard CCPC employees in their occupational safety & health and the enforcement thereof:

(A) The part of organization:

Exactly in accordance with the Labor Safety & Health Act, the Company has set up Safety & Health Heads, Safety & Health Managerial Officers and Safety & Health Committee members.

CCPC Labor Safety & Health Organization, number of staff members, the unit to set up the Committee:	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III
Safety & Health Managerial Officers	1	1	0	0	0	1
Class A Labor Safety & Health Business Head:	1	0	1	1	1	0
Labor Safety & Health Committee: Number of members.	16	15	9	9	12	5

(B) Measures to protect employees provided by the Company, including:

- The Company provides dust masks, helmets, footwear, gloves... into use by employees.
- Exactly according to law, the Company duly assigns only the special duty oriented personnel holding required licenses/certificates to operate hazardous equipment & facilities which receive maintenance & upkeep services and inspection on a regular basis. Such special duty oriented personnel should participate in the relevant educational & training programs as approved by the labor safety & health competent authority.
- According to law, the Company sets up warehouses for hazardous articles which are put under prudential management and custody by special duty oriented personnel holding required licenses/certificates.
- The Company duly sets up explosion-proof lights and explosion-proof doors as well as such facilities.
- As required by law, the Company duly conducts cleansing work for environment and equipment to assure definite safety performance.
- All CCPC employees serving in various plant zones receive labor health examinations on an annual basis.

Facts about health examinations provided for employees in 2017 (The units, number of employees)

Plant zones and office premises	Supervisory heads	Head Office	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Uming	Total
General health examinations	23	48	246	59	60	50	45	25	237	770
Items of special health examinations:										
Trichloro ethylene + chromic acid + Arsenic operations			2							2
Animals for laboratory purposes			2							2
Trichloro ethylene + chromic acid				29						26
Trichloro ethylene				5	5					10
Cancer screening				19						19
Dimethyl-formamide operations						8				8

(C) The preventive measures provided by the Company include:

- On a regular basis, the Company provides labor safety & health oriented educational & training programs for newcomers and incumbent

employees.

Statistics of the in-house educational & training programs aiming at labor safety & health in 2017

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of educational & training programs provided	24	2	2	1	2	1	32
Total number of hours	72	1	8	1	4.5	2	88.5
Aggregate total of trainees	55	108	120	27	1	25	336

Outsourced educational & training programs focusing on safety & health, hazardous articles, noxious substance and hazardous equipment & facilities in 2017

	CCPC	Chunghwa Yuming Healthcare Co., Ltd.
Number of educational & training programs provided	24	2
Total number of hours	562	13
Aggregate total of trainees	24	2

- b. To minimize the potential risks in occupation-oriented calamity toward employees, the Company has duly stipulated and enforced programs against potential occupation-oriented calamity.
- c. Toward machinery & equipment more subject to hazards, the Company, based on the annual plans, enforces self-examination plans.
- d. To remind employees into awareness of hazards and risks as well as safety & health at work, the Company has after another implemented safety & health oriented publicity and dissemination.
- e. To assure that all employees will use protective articles in an accurate and appropriate way to minimize a potential risk in occupation-oriented calamity, the Company faithfully implement the plans for use, management and procurement of protective articles.
- f. To assure that all CCPC employees will stay calm in the hour of peril with accurate judgment and countermeasure, the Company sponsors one emergency countermeasure program drill for each and every plant region on an annual basis.

Statistics of fire-fighting safety & security drills conducted in 2017

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of fire-fighting drills	2	2	2	2	2	2	12
Total number of hours	8	8	8	3	8	4	39
Number of participants	63	108	120	49	20	44	404

- g. To provide a sound ground for all plant zones to clean away and manage hazardous and noxious articles and waste, the Company duly worked out and enforced hazardous and noxious substance management plans.
- h. To offer a sound ground and guide for all plant zones to assure health and fitness for all employees, the Company duly enforces labor health & fitness management programs.
- i. To offer a sound ground and guide for all plant zones in internal audit management, all plant zones conduct a minimum of one internal audit

plans focusing on safety & health per annum.

Statistics of interior audit focusing on safety & health conducted in 2017

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of audits conducted	5	3	1	5	13	1	28

- j. To offer a sound ground and guide for all plant zones in investigation, analytical management for all plant zones in occupation-oriented calamity, the Company duly conducts analytical management plans with investigation into potential occupation-oriented calamity.
- (II) In the latest year until the date as of Annual Report issuance, the impairment incurred by labor dispute, with disclosure of the amounts current and potential occurrence in the future and the Company countermeasures: Where the Company has duly followed the government laws and ordinances concerned to deal with labor issues, no labor dispute has taken place in CCPC.

VI. Major contracts:

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Distributorship contracts:	Ono Pharmaceutical Co., Ltd.	Since February 18, 1985~to the present day Since March 28, 1991~ to the present day (Automatically renewed for another year since the expiring day and further expiring day thereafter)	PROMOSTAN for injection FOY For injection	1.The Company shall not sell nor is it allowed to permit sales of contracted products to a region beyond the coverage of the contract 2.Throughout the term of the contract's validity, the Company is not permitted to manufacture, distribute, market the same chemical structure of derivative thereof for identical indication that might possibly incur competition amidst the treatment of the same indications unless consented by ONO in writing.
	Stryker (Greater) China Limited	Three years starting from January 1, 2017	Distributorship and agency for implantation materials for artificial articulation.	The Company shall not manufacture, market or engage in a product in competition against the contracted products in the contracted territories unless consented in writing by the original manufacturer. This Article is equally applicable to all relevant institutions of the Company.
	DAIICHI SANKYO HEALTHCARE CO., LTD.	March 23, 2015 (execution of this Agreement) Date on which the contract becomes effective Five years starting from the date while the products hit the markets.	Shin Lulu Ace Sugar-coated tablets	1.The Company shall not sell nor is it allowed to permit sales of contracted products to a region beyond the coverage of the contract 2.Throughout the term of the contract's validity, the Company is not permitted to manufacture, distribute, market the same cold medicine (in the same ingredients) except the products currently available from the Company. 3.Throughout the term of the Agreement's validity and even within two months after the Agreement expires, the Company shall not manufacture, OEM produce products of the same category (in the same ingredients). 4. Exactly as required under the contract, the Company is subject to the restriction of the minimum procurement volume in a year and minimum threshold in a single procurement case.
	Jiu Ying Enterprise Co., Ltd.	2017.01.01~2019.12.31	Execution of a contract for extraordinary products with contracted terms of scope of sales or targets so that the products could be distributed and sold by a customer.	A customer under the contract shall accomplish target sales value under the contract otherwise the Company may, without a need to serve a reminding notice, have the Agreement terminated. A customer shall provide a time deposit certificate issued by a bank to safeguard the Company's creditor's right.
	Ching Tai Pharmaceutical Co., Ltd.	2016.10.01~2019.09.30 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Taiwan Meiqiang Co., Ltd.	2016.08.15~2019.08.14		
	Jin Tai Pharmaceutical Manufacture Co., Ltd.	2016.10.01~2019.09.30		
Contract for commissioned manufacture	Taiwan Rihua Co., Ltd.	2014.04.01~2019.03.31	Pursuant to the "Regulations for Medicament Contract Manufacture and Analysis" promulgated by the Food and Drug Administration, Ministry of Health and Welfare, the Company commissions CCPA to manufacture the pharmaceuticals licensed and permitted for manufacture	Where the Company commissions CCPA to manufacture the pharmaceuticals licensed and permitted for manufacture, the Company shall not transfer the license or permit to a third party or make other change unless consented by CCPA.
	Zhong Tian Biotechnology Co., Ltd.	2016.06.01~2019.05.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Tien Sheng Tang Pharmaceutical Manufacture Co., Ltd.	2015.03.01~2018.03.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
	Yu Hsin Hang Co., Ltd.	2014.07.01~2022.12.31	Pursuant to the	

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
	Shionogi & Co., (Taiwan) Ltd.	2016.06.30~2019.06.29 (Automatically renewed for another year since the expiring day and further expiring day thereafter)	"Regulations for Medicament Contract Manufacture and Analysis" promulgated by the Food and Drug Administration, Ministry of Health and Welfare, the Company commissions CCPA to manufacture the pharmaceuticals licensed and permitted for manufacture	
	Daiichi-Sankyo Taiwan Co., Ltd.	2016.04.01~2019.03.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Heng Chen Enterprise Co., Ltd.	2016.11.01~2019.10.30 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	TTY Biopharm Company Limited	2015.08.01~2018.12.31		
	PhytoHealth Corporation	2015.01.01~2018.12.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
Contract for technical cooperation	AJIONOMOTO PHARM A CO., LTD	Since January 1, 1994	Enema agent required before colonoscopy and before surgical operation for colon surgical operation.	Under no circumstances shall the Company be in contravention of this Agreement by manufacturing the products in competition against this Agreement or import products in competition against products under this Agreement (or similarities); nor shall the Company divulge the manufacturing technology & know-how to a third party; nor shall SEN-XIA-LONG-SHOU execute a contract with a third party within the territories of the Republic of China in contravention of this Agreement. The violating party shall assume the responsibility for indemnity.
	Taiwan Zoological Technology Research Institution	Ten years starting from November 2011	Technical cooperation for Boar Fresh Semen Dilution Liquid Formulation and Manufacture	Unless agreed upon by and between both parties, the other party shall not conduct a technical transfer for the Fresh Semen Dilution Liquid Formulation. In case of divulgence of such to a third party, the violating party shall be subject to an indemnity in an amount of NTD3 million payable to the other.
	Dayeh University	Ten years starting from October 26, 2008	Development of symbiotic microorganism fermentation system to manufacture new type anti-hypertension peptide into commercialized application	
Contract for commissioned processing services	Intervet international B.V. Netherlands	2014.9.~2019.9 (Automatically renewed for two more years from the expiring date)	Production & manufacture of Nuflor 2% premix	The Company shall not sell the said products to a third party nor shall the Company sell such products itself, nor shall the Company divulge the formula to a third party. The violating party shall assume the responsibility of damage indemnity.
Land Leasehold Agreement	Private Taipei Ren Ji Hospital of Taiwan Province	2015.01.01~2019.12.31	Lot Nos. 336, 337 Gongyuan Section 2, Taipei City under leasehold, 312 m ² in total area.	At the monthly rent of NTD320,786 per month Subject to a change along with the rent adjustment by the government authorities during the period of leasehold.
Mid-term and long-term Loans	Hua Nan Bank	2017.07~2019.07	Credit line in New Taiwan Dollars NTD250 million	Mortgage with real estate
	Mega International Commercial Bank Co., Ltd.	2017.02~2019.02	Credit line in New Taiwan Dollars NTD250 million	Mortgage with real estate

Six. Financial summary

- I. Condensed balance sheet and consolidated profit & loss statement, names of auditing Certified Public Accountants and audit opinions thereof over the past five (5) years.

(I) Information of condensed balance sheet and consolidated profit & loss statement

Consolidated condensed balance sheet - with adoption of International Financial Reporting Standards (IFRS).

Unit: NTD thousand

Year Item		Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Current assets		4,079,240	4,397,285	4,126,345	4,325,687	4,723,432	—
Property, plant, and equipment		4,759,933	4,297,122	4,265,256	4,162,002	4,042,123	—
Net amount of investment oriented real estate		231,775	27,856	—	—	—	—
Intangible assets		10,729	9,900	9,408	34,493	32,369	—
Other assets		1,990,192	1,577,698	1,511,896	1,434,935	1,478,639	—
Total assets		11,071,869	10,309,861	9,912,905	9,957,117	10,276,563	—
Current Liabilities	Before dividend distribution	2,894,850	2,660,194	2,272,282	2,428,855	2,637,037	—
	After dividend distribution	3,043,891	2,839,043	2,451,131	2,607,704	Note 2	—
Non-current liabilities		3,088,404	2,166,115	2,151,166	2,029,937	2,035,831	—
Total liabilities	Before dividend distribution	5,983,254	4,826,309	4,423,448	4,458,792	4,672,868	—
	After dividend distribution	6,132,295	5,005,158	4,602,297	4,637,641	Note 2	—
Attributable to owners of the parent company		5,064,237	5,457,537	5,440,993	5,452,393	5,563,143	—
Capital stock		2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	—
Capital reserve		641,987	642,284	642,640	642,996	644,659	—
Retained earnings	Before dividend distribution	1,363,061	1,558,902	1,712,665	1,803,196	1,937,763	—
	After dividend distribution	1,214,020	1,380,053	1,533,816	1,624,347	Note 2	—
Other equity		106,432	303,594	132,931	53,444	27,964	—
Treasury stock		(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	—
non-controlling interests		24,378	26,015	48,464	45,932	40,552	—
Total equity	Before dividend distribution	5,088,615	5,483,552	5,489,457	5,498,325	5,603,695	—
	After dividend distribution	4,939,574	5,304,703	5,310,608	5,319,476	Note 2	—

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: The annual earning distribution of Year 2017 has not been granted a pass by the shareholders' regular meeting. The figure of post-distribution is, therefore, omitted.

Note 3: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

Individual condensed balance sheet-With adoption of International Financial Reporting Standards
(IFRS)

Unit: NTD thousand

Year Item		Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Current assets		2,243,493	2,565,439	2,201,713	2,369,008	2,452,141	—
Property , plant, and equipment		3,583,145	3,614,742	3,641,193	3,538,727	3,453,753	—
Net amount of investment oriented real estate		231,775	27,856	—	—	—	—
Intangible assets		—	—	—	14,197	12,949	—
Other assets		2,861,862	3,004,849	2,983,130	2,890,520	2,953,971	—
Total assets		8,920,275	9,212,886	8,826,036	8,812,452	8,872,814	—
Current liabilities	Before dividend distribution	1,892,390	1,711,532	1,351,524	1,454,356	1,407,176	—
	After dividend distribution	2,041,431	1,890,381	1,530,373	1,633,205	Note 2	—
Non-current liabilities		1,963,648	2,043,817	2,033,519	1,905,703	1,902,495	—
Total liabilities	Before dividend distribution	3,856,038	3,755,349	3,385,043	3,360,059	3,309,671	—
	After dividend distribution	4,005,079	3,934,198	3,563,892	3,538,908	Note 2	—
Attributable to owners of the parent company		5,064,237	5,457,537	5,440,993	5,452,393	5,563,143	—
Capital stock		2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	—
Capital reserve		641,987	642,284	642,640	642,996	644,659	—
Retained earnings	Before dividend distribution	1,363,061	1,558,902	1,712,665	1,803,196	1,937,763	—
	After dividend distribution	1,214,020	1,380,053	1,533,816	1,624,347	Note 2	—
Other equity		106,432	303,594	132,931	53,444	27,964	—
Treasury stock		(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	—
non-controlling interests		—	—	—	—	—	—
Total equity	Before dividend distribution	5,064,237	5,457,537	5,440,993	5,452,393	5,563,143	—
	After dividend distribution	4,915,196	5,278,688	5,262,144	5,273,544	Note 2	—

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: The annual earning distribution of Year 2017 has not been granted a pass by the shareholders' regular meeting. The figure of post-distribution is, therefore, omitted.

Note 3: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

Consolidated condensed profit & loss statement - With adoption of International Financial Reporting Standards (IFRS)

Unit: NTD thousand

<div style="text-align: center;">Year</div> <div style="text-align: center;">Item</div>	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	5,173,846	5,297,426	5,627,644	5,781,413	6,244,807	—
Gross profit	1,566,614	1,622,806	1,612,370	1,689,008	1,922,597	—
Operating profit	235,034	278,782	245,956	286,435	277,301	—
Non-operating revenues and expenses	91,549	154,092	204,373	100,969	88,762	—
Earnings before tax	326,583	432,874	450,329	387,404	366,063	—
Continuing operations						
Current period net profit	241,552	350,593	359,951	315,894	306,494	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	241,552	350,593	359,951	315,894	306,494	—
Other comprehensive income for the period (post-tax profit or loss)	237,362	194,104	(192,923)	(124,346)	(22,707)	—
Total comprehensive income for the period	478,914	544,697	167,028	191,548	283,787	—
Net income attributable to owners of the parent company	240,347	347,723	353,696	313,209	310,739	—
Net income attributable to non-controlling interests	1,205	2,870	6,255	2,685	(4,245)	—
Total comprehensive income attributable to owners of the parent company	476,793	542,044	161,949	189,893	287,936	—
Total comprehensive income attributable to non-controlling interests	2,121	2,653	5,079	1,655	(4,149)	—
Earnings per share	0.81	1.17	1.19	1.05	1.05	—

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

Individual condensed consolidated profit & loss statement -With adoption of International Financial Reporting Standards (IFRS)

Unit: NTD thousand

<div> <div>Year</div> <div>Item</div> </div>	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	2,988,404	2,979,529	2,718,471	2,936,959	2,895,813	—
Gross profit	637,950	711,784	588,299	659,073	628,866	—
Operating profit	136,377	163,492	165,856	197,102	210,718	—
Non-operating revenues and expenses	161,054	229,355	249,552	158,363	135,873	—
Earnings before tax	297,431	392,847	415,408	355,465	346,591	—
Continuing operations						
Current period net profit	240,347	347,723	353,696	313,209	310,739	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	240,347	347,723	353,696	313,209	310,739	—
Current other comprehensive income (post-tax profit or loss)	236,446	194,321	(191,747)	(123,316)	(22,803)	—
Total comprehensive income for the period	476,793	542,044	161,949	189,893	287,936	—
Net income attributable to owners of the parent company	240,347	347,723	353,696	313,209	310,739	—
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	476,793	542,044	161,949	189,893	287,936	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per share	0.81	1.17	1.19	1.05	1.05	—

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

(II) Condensed balance sheet and profit & loss statement - The financial & accounting guidelines of the Republic of China: Not applicable.

(III) Names of financial statement auditors in the last 5 years, and their audit opinions

Year	Name of auditor	Audit opinions
2013	Jun Yao, Lin; Chao Ming, Wang	Modified unqualified opinion
2014	Shu Qiong, Zhong; Shih Jung, Weng	Modified unqualified opinion
2015	Shu Qiong, Zhong; Shih Jung, Weng	Modified unqualified opinion
2016	Jun Yao, Lin; Shu Qiong, Zhong	Unqualified opinion
2017	Jun Yao, Lin; Shu Qiong, Zhong	Unqualified opinion

II. Financial analysis for the latest 5 years:

Consolidated financial analysis-With adoption of International Financial Reporting Standards (IFRS)

Items of analysis		Financial analysis for the latest 5 years					Year-to-date March 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to assets ratio	54.04	46.81	44.62	44.78	45.47	-
	Ratio of long-term capital to property, plant and equipment	171.79	178.02	179.14	180.88	189.00	-
Solvency (%)	Current ratio	140.91	165.30	181.59	178.10	179.12	-
	Liquid ratio	90.68	107.12	113.85	109.50	111.54	-
	Interest coverage ratio	8.94	10.66	12.69	11.75	11.22	-
Operating ability	Turnover rate of accounts receivable (times)	2.99	3.12	3.31	3.22	3.21	-
	Number of days in average cashing.	122.07	116.99	110.27	113.35	113.70	-
	Rate of stock turnover (times)	2.61	2.4	2.58	2.62	2.58	-
	Rate of payable turnover (times)	6.11	6.91	7.22	6.75	6.42	-
	Average number of days in sales.	139.84	152.08	141.47	139.31	141.47	-
	Rate of real estate, plant buildings and equipment turnover (times)	1.09	1.23	1.32	1.39	1.54	-
	Rate of turnover rate for total assets (times)	0.47	0.51	0.57	0.58	0.61	-
Profitability	Return on assets (%)	2.6	3.63	3.88	3.48	3.32	-
	Return on equity (%)	4.88	6.63	6.56	5.75	5.52	-
	Percentage of net profit before tax to the paid-in capital (%)	10.96	14.52	15.11	13.00	12.28	-
	Net profit rate (%)	4.65	6.62	6.40	5.46	4.91	-
	Earnings per share (\$)	0.81	1.17	1.19	1.05	1.05	-
Cash flow	Cash flow ratio (%)	13.91	12.42	24.42	8.00	17.53	-
	Cash flow adequacy ratio (%)	36.97	42.03	52.95	50.49	62.12	-
	Cash reinvestment ratio (%)	2.38	1.80	3.82	(0.10)	2.67	-
Leverage	Business operation leverage	22.01	19.00	22.88	20.18	22.52	-
	Financial leverage	1.21	1.19	1.19	1.14	1.15	-
Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)							
1. The cash flow, adequate cash flow, rise of cash flow reinvestment only because of increase of cash inflow in business operating activities and increase in current assets.							

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

Individual financial analysis -With adoption of International Financial Reporting Standards (IFRS)

Year (Note 1) Items of analysis		Financial analysis for the latest 5 years					Year-to-date March 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to assets ratio	43.23	40.76	38.35	38.13	37.30	-
	Ratio of long-term capital to property, plant and equipment	196.14	207.52	205.28	207.93	216.16	-
Solvency (%)	Current ratio	118.55	149.89	162.91	162.89	174.26	-
	Liquid ratio	78.67	105.13	107.78	108.76	114.16	-
	Interest coverage ratio	9.61	11.24	12.68	11.40	11.41	-
Operating ability	Turnover rate of accounts receivable (times)	2.18	2.10	2.21	2.40	2.22	-
	Number of days in average cashing.	167.43	173.81	165.16	152.08	164.41	-
	Rate of stock turnover (times)	3.42	2.90	2.8	3.07	2.90	-
	Rate of payable turnover (times)	8.82	8.1	8.52	9.50	9.15	-
	Average number of days in sales.	106.72	125.86	130.36	118.89	125.86	-
	Rate of real estate, plant buildings and equipment turnover (times)	0.83	0.82	0.75	0.83	0.84	-
	Rate of turnover rate for total assets (times)	0.34	0.32	0.31	0.33	0.33	-
Profitability	Return on assets (%)	3.15	4.19	4.25	3.87	3.83	-
	Return on equity (%)	4.9	6.61	6.49	5.75	5.64	-
	Percentage of net profit before tax to the paid-in capital (%)	9.98	13.18	13.94	11.93	11.63	-
	Net profit rate (%)	8.04	11.67	13.01	10.66	10.73	-
	Earnings per share (\$)	0.81	1.17	1.19	1.05	1.05	-
Cash flow	Cash flow ratio (%)	6.42	21.34	27.41	14.23	20.04	-
	Cash flow adequacy ratio (%)	34.48	54.43	64.55	59.47	65.88	-
	Cash reinvestment ratio (%)	(0.56)	2.26	1.91	0.03	0.85	-
Leverage	Business operation leverage	21.91	18.22	16.39	14.90	13.74	-
	Financial leverage	1.34	1.31	1.27	1.21	1.19	-
Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)							
1. Rise in cash flow, rise of cash flow reinvestment because of increase of inflow of cash in business operation activities							

Note 1: The financial data as of 2013 ~ 2017 having been duly testified and audited by the Certified Public Accountants.

Note 2: As of the Annual Report date, there has not been financial data having been testified or audited by the Certified Public Accountants of the latest term.

Consolidated financial analyses - Gazette of Financial Accounting Standards of the Republic of China: Not applicable.

Individual financial analysis - Gazette of Financial Accounting Standards of the Republic of China: Not applicable.

Calculation formulas:

Note 1: In the year where the financial statements were not certified by the Certified Public Accountants, it should be expressly remarked.

Note 2: In case of a company having stocks listed and traded in the securities dealers' business premises, and the financial data had been covered within the analyses as of the quarter preceding the date of publication of the annual report.

Note 3: The following calculation formula should be remarked at end of this Table:

1. Financial structure
 - (1) The ratio of total liabilities to total assets = total liabilities / total assets
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets – inventories – prepaid expense) / current liabilities
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Manageability
 - (1) Turnover rate of the account receivable (including account receivable and notes receivable incurred as a result of business operation) = The balance of the net sales amount / Account receivable averaged in various term (Including account receivable and notes receivable incurred as a result of business operation).
 - (2) Number of days in averaged cashing = 365 / Turnover rate of account receivable.
 - (3) Inventory turnover rate = Sales cost / Averaged inventory amount.
 - (4) Turnover rate of the payables (Including accounts payable and the notes payable incurred by business operation) = Sales cost / Balance of the payables averaged in various term (Including accounts payable and the notes payable incurred by business operation)
 - (5) Number of days on averaged sales = 365 / Inventory turnover rate.
 - (6) Turnover rate of real estate, plants and equipment = Net amount of sales / Averaged net amount for the real estate, plants and equipment
 - (7) Overall asset turnover rate = Net amount of sales / Total of average assets
4. Profitability
 - (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.
 - (2) Return on shareholders' equity = after tax net profit / total average equity.
 - (3) Profit ratio = net income / net sales
 - (4) Earnings per share = (profits or loss attributable to owners of the parent company – preferred stock dividend) / weighted average stock shares issued (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
 - (3) Cash re-investment ratio = (net cash flow from operating activity – cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)
6. Leverage:
 - (1) Operation leverage = (Net amount of operating revenues - Variable operating costs and expenses) / Operating profit (Note 6).
 - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

Note 4: In the aforementioned formula to calculate earnings per share, the key points should be watchful upon measuring:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EARNINGS PER SHARE of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from earnings or added to earnings. If the preferred stock is non-cumulative preferred stocks, dividend on the preferred stock shall be subtracted from earnings after income tax, if any. If there are no earnings after income tax, no adjustment shall be made.

Note 5: The cash flow analysis must take into account the following:

1. Net cash flow from operation refers to net cash inflow from operation as stated in the Statement of Cash Flow.
2. Capital spending refers to the cash outflow to annual capital investments.
3. The increase of inventory is counted only when the ending balance is greater than the beginning balance. In case of the inventory at end of the year decreases, it shall be counted at zero.
4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
5. The gross amount of real estate, plants and equipment refers to the total amount of real estate, plants and equipment before deduction of the accumulated depreciation.

Note 6: An issuer shall classify various operating costs and operating expenses into fixed and variable based on the attributes. Where it involves subjective judgment or estimation, the Issuer shall be watchful of the rationality and shall maintain the consistency.

Note 7: Where the Company's share certificates are without fact amount or are in face amount other than NTD10 per share, the aforementioned ratio to the paid-in capital shall be calculated based on the ratio of the owner's equity ratio attributed to the parent company.

III. Audit report on the latest year financial statements by the audit committee:

China Chemical & Pharmaceutical Co., Ltd.

Audit Committees' Review Report

Where the board of directors works out and submits the Company's business report, financial statements (including individual and consolidated financial statements) and proposed distribution of earning for Year 2017; those financial statements (including individual and consolidated financial statements) have been duly audited and certified by Certified Public Accountants Lin Chun-Yao and Chang Shu-Chiung of PricewaterhouseCoopers Taiwan who, in turn, duly issued audit report. The aforementioned business report, financial statements (including individual and consolidated financial statements) and proposed distribution of earning have been duly audited by the Audit Committee and were believed without non-conformity. The Report as mentioned above is duly submitted in accordance with Article 14-4 of Securities and Exchange Act, Article 219 of Company Act. Please check and verify.

Best regards

Shareholders' regular meeting of China Chemical & Pharmaceutical Co., Ltd. 2018

Audit Committee, Convener: Pei Min-Li



March 26, 2018

IV. Latest financial statements

Please refer to page 84~151 of the Chinese annual report.

V. The Company's individual financial statements audited and certified by a certified public accountant in the latest year.

Please refer to page 152~209 of the Chinese annual report.

VI. If the company or any of its affiliated companies had, in recent years up until the publishing of this annual report, experienced financial distress, the impacts to the company's financial status must be disclosed: None.

Seven. Review of financial status, financial performance, and risk management issues

I. Financial summary:

Financial conditions, Table of comparative analyses

Unit: NTD thousand

Item \ Year	2016	2017	Difference	
			Amount	%
Current assets	4,325,687	4,723,432	397,745	9.19
Property , plant, and equipment	4,162,002	4,042,123	(119,879)	(2.88)
Intangible assets	34,493	32,369	(2,124)	(6.16)
Other assets	1,434,935	1,478,639	43,704	3.05
Total assets	9,957,117	10,276,563	319,446	3.21
Current liabilities	2,428,855	2,637,037	208,182	8.57
Non-current liabilities	2,029,937	2,035,831	5,894	0.29
Total liabilities	4,458,792	4,672,868	214,076	4.80
Capital stock	2,980,811	2,980,811	0	0.00
Capital reserve	642,996	644,659	1,663	0.26
Retained earnings	1,803,196	1,937,763	134,567	7.46
Other equity	53,444	27,964	(25,480)	(47.68)
Treasury stock	(28,054)	(28,054)	0	0.00
non-controlling interests	45,932	40,552	(5,380)	(11.71)
Total equity	5,498,325	5,603,695	105,370	1.92
Attributable to owners of the parent company	5,452,393	5,563,143	110,750	2.03

Analysis on differential gap, where the increase/decrease change is 20% or higher.

Descriptions:

Decrease in other equity, due primarily to change in exchange rates, making the impairment in the conversion for the financial statements in the overseas operating institutions, with the impairment in the differential discrepancy in expansion.

II. Financial Performance:

(I) Comparative analyses chart for the financial performance:

Unit: NTD thousand

Item \ Year	2016	2017	Increase (decrease)	Ratios of change %
Operating revenue	5,781,413	6,244,807	463,394	8.02
Operating cost	4,092,405	4,322,210	229,805	5.62
Gross profit	1,689,008	1,922,597	233,589	13.83
Operating expenses	1,402,573	1,645,296	242,723	17.31
Operating gains and losses	286,435	277,301	(9,134)	(3.19)
Non-operating revenues and expenses	100,969	88,762	(12,207)	(12.09)
Earnings before tax	387,404	366,063	(21,341)	(5.51)
Gain(loss) from discontinued operations	0	0	0	0
Current net profits from continuing operations	387,404	366,063	(21,341)	(5.51)
Income tax expense	71,510	59,569	(11,941)	(16.70)
Current period net profit (loss)	315,894	306,494	(9,400)	(2.98)
Other comprehensive income for the period (post-tax profit or loss)	(124,346)	(22,707)	101,639	(81.74)
Total comprehensive income for the period	191,548	283,787	92,239	48.15
Net income attributable to owners of the parent company	313,209	310,739	(2,470)	(0.79)
Net income attributable to non-controlling interests	2,685	(4,245)	(6,930)	(258.10)
Total comprehensive income attributable to owners of the parent company	189,893	287,936	98,043	51.63
Total comprehensive income attributable to non-controlling interests	1,655	(4,149)	(5,804)	(350.69)

Analysis on differential gap, where the increase/decrease change is 20% or higher.
Descriptions:

In the present term, the loss in the consolidated profit and/or loss (net amount after tax) decreased. In the present term, the aggregate total profit in the consolidated profit and/or loss increased. In the consolidated profit and/or loss, the owner attributed to the parent company increased, because the unrealized evaluation benefit ready for sale and the ascertained welfare plan in the measurement decreased.

The net profit was attributed into non-controlled equity. The aggregate total of the consolidated profit and/or loss was attributed to non-controlled interest in decrease, as the decrease in the non-controlled equity.

(II) The sales volume anticipated in one year ahead and the ground thereof: Please refer to "One, Messages Reported to Shareholders II~(II)":

III. Cash flow:

Analyses on cash flow

Unit: NTD thousand

Opening cash balance	Net cash flow coming from operating activities year-round	Cash outflow year-round	Amount of surplus (shortfall) in cash	Financing of cash deficits	
				Investment plans	Wealth management plans
628,746	462,305	327,367	763,684	—	—

- (I) Analysis on the cash flow change in 2017
1. Net inflow in operating activities NTD462, 305,000.
 2. Net outflow in investment activities NTD186,616,000.
 3. Net outflow in capital-raising activities NTD128,743,000.
 4. Net outflow in exchange rate impact NTD12,008,000.
- (II) Remedial measures for cash shortfall and analyses on liquidity:
1. Investment plans: None
 2. Wealth management plans: None
 3. Liquidity analyses:

Item \ Year	2016	2017	Increase/decrease ratio %
Cash flow ratio (%)	8.00	17.53	119.13
Cash flow adequacy ratio (%)	50.49	62.12	23.03
Cash flow reinvestment ratio (%)	(0.10)	2.67	2770.00
Descriptions on analysis on the change in the increase/decrease ratio: The rise results from increase in cash inflow of the operating activities.			

- (III) Analyses on the cash liquidity in one year ahead

Unit: NTD thousand

Opening cash balance	Net cash flow anticipated from operating activities in year round:	Anticipated year-round cash outflow:	Expected cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Wealth management plans
763,684	303,453	336,399	730,738	None	

- IV. Material capital expenditures in the latest year and impacts on business performance: Without a significant impact at all.
- V. The major causes for profits or losses incurred by investments during the latest year; rectifications and investment plans for the next year: None.
- VI. Risk issues which should be analyzed and evaluated until the recent year as of the Annual Report date:
- (I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit and/or loss and the future countermeasures:
1. In 2017, the Company's consolidated expenditures for interests NTD35,819,000. Compared with NTD36,038,000 of Year 2016.
There was a decrease of NTD219,000, due primarily to the minor fluctuation in the interest rates.
 2. In 2017, the consolidated loss in foreign exchange came to NTD355,000, accounting for 0.006 % of the consolidated operating revenues in 2017. That suggests that the

- change in exchange rate does not constitute a significant impact upon the Company.
3. The Company has not incurred a significant impact due to inflation.
- (II) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profits or loss and the future countermeasures.
1. In 2017, the Company did not at all engage in high-risk, high-leverage investment and derivative financial instruments transaction.
 2. The Company duly handled exactly in accordance with "Operating Procedures for Loaning of Funds". In 2017, the working capital actually lent to others came to NTD192,986,000, increased by NTD2,910,000 when compared with Year 2016.
 3. In 2017, the Company rendered external endorsements/guarantees as the endorsement to the financial institution.
That was duly handled in accordance with the Company's "Operating Procedures for Enforcement of Endorsements/Guarantees". For endorsements/guarantees by the Company, the maximum limit is NTD2,781,572,000.
As of December 31, 2017, the balance of endorsements/guarantees came to NTD NTD350,000,000.
- (III) The future research & development plans and the expenses anticipated to be invested into research & development:
At the moment, the Company is teaming up with research & development institutions at home and abroad or pharmaceutical manufacturers to launch CCPC-Academy Cooperation or concerted research programs to develop immunosuppression, lyophilized injection antibiotics, cancer oriented medicines and cardiovascular disease medicines. During the research & development process, we should conduct human trial programs at home and abroad. Such new pharmaceuticals could not be landed into markets until approved by the competent authorities in all nations concerned in charge of health affairs. In three ~ five years ahead, as we anticipate, we shall further invest NTD200 ~ 300 million budgets for research & development alone.
- (IV) The possible impacts by government policies and laws at home and abroad upon the Company's financial conditions and the Company's countermeasures:
1. The impact upon the Company's financial conditions: Since the National Health Insurance was put into an overall enforcement, amidst the growth of aging senior citizens, the demand for medical treatment services has significantly increased to boost the overall medical treatment services consumption. Where the National Health Insurance Administration, Ministry of Health and Welfare carries out additional premium of National Health Insurance (better known as Generation No. 2 National Health Insurance premium), the entire nation has faced up to the critical and heavy financial burdens though the government authorities have launched significant reforms. The pharmaceutical manufacturers are inevitably facing another shock in the brand new pharmaceutical pricing policy. That would significantly impact upon the Company's business development.
 2. Countermeasures: Amidst the potential challenges as mentioned above and in response to the trend of aging of population, CCPC shall focus on the medical treatment services of high growth.
We shall develop competitive new products through wholehearted effort development toward the medical treatment products which have not been covered within the National Health Insurance programs.
In such supporting products, health foods, health-care foods, individual care, skin whitening and such products with high added values.
With the well-built and developing vast channels, we shall significantly boost our competitive edge to successfully win over new products from foreign agencies to maximize our sales performance and profits.

- (V) The impacts generated by change in science and technology and change in industries upon the Company's financial conditions and the Company's countermeasures:
The Company manufactures and markets pharmaceuticals and biotechnology products. The constant updates of science and technology and the change in industries might yield extensive chances and new merchandise. In 2017 the Company's inventory turnover rate was 2.58 times, suggesting that the Company operated at a sound ambiance free of a significant financial impact.
- (VI) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures:
Continually without an interruption, the Company has tried by all available means to render medical treatment and health-care services though the sound CCPC corporate image. So far never have we heard the negative reports against the very sound CCPC corporate image.
- (VII) The benefits anticipated from the merger/acquisition (M&A) efforts, the potential risks and the Company's countermeasures: Such fact is nonexistent in the Company.
- (VIII) The risks anticipated from the expansion of the plant buildings, and the Company's countermeasures: Such fact is nonexistent in the Company.
- (IX) The risks anticipated from the centralized input or output undertakings and the Company's countermeasures: Such fact is nonexistent in the Company.
- (X) The impacts and risks anticipated from the massive transfer of shareholding by directors and supervisors or key shareholders who hold more than 10% in shareholding and the Company's countermeasures: Such fact is nonexistent in the Company.
- (XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures: Such fact is nonexistent in the Company.
- (XII) Litigious and non-litigious events: (Expressed in Thousand New Taiwan Dollars)
1. In February 2009, the Ministry of Justice held that during October 2001 ~ June 2004, the Company and its subsidiary CCPC Chung Hua participated in a pharmaceutical procurement case of an authority supervisory over public servants and CCPC Company and its subsidiary CCPC Chung Hua were awarded that tender, in contravention of Article 9 of the Act on Recusal of Public Servants Due to Conflicts of Interests. Based on Article 15 of the same Act, the Ministry of Justice imposed a fine amounting to NTD60,990 and NTD92,131 which the Company recognized as a loss in 2008 in full. In response to the administrative appeal lodged by the Company, the Ministry of Justice corrected the amount of the fine in July 2010 and October 2009 into an amount of NTD40,614 and NTD58,366 Further appeal through the Attorney-at-Law retained by the Company, the Company's appeal was dismissed by the Taiwan High Court in 2011. Once more, the Company lodged another appeal. The Supreme Administrative Court with a judgment rendered in May 2014 with a decision that the prior judgment should be set aside and the case should be returned to Taipei High Administrative Court. Taipei High Administrative Court rendered decision in February and April 2015 that the prior decisions rendering upon the Company and its subsidiary Chunghwa Yuming Healthcare Co., Ltd. should be set aside and that the Ministry of Justice should render another decision appropriate according to law in accordance with Article 15 of the Art for Avoidance From Presence (Recuse). Further on October 19, 2015, the Ministry of Justice issued a letter to correct the amount of the fine into NTD20,000 and NTD29,000 (entered into balance sheet as reserve for liability - current). Based on the most up-to-date ruling, the Company already reversed the originally entered penalty fine NTD49,980 and entered as "other revenue" in 2015. The Company lodged another administrative appeal in November 2015 and the Administrative Appeal Committee of the Executive Yuan (the Cabinet) dismissed the administrative appeal in April 2016. The Company lodged appeal with Taipei High Administrative Court and Taipei High Administrative Court already

dismissed the appeal in September 2016. In turn, the Company lodged appeal to the Supreme Administrative Court in November 2016 and the Supreme Administrative Court rendered a judgment in September 2017 and March 2018 whereunder the Company and its subsidiary Chunghwa Yuming Healthcare Co., Ltd. was a loser in the final and irrevocable decision.

2. The Company received a notice in March 2016 from the Civil Bench of Taiwan Taipei District Court to the effect that The Securities and Futures Investors Protection Center. (Hereinafter referred to as Investors Protection Center) petitioned to the court for discharge of the Company's Chairperson and directors. That was to request the Company to discharge the relationship by and between the Company and the Company's directors. Under that court instructions, the Investors Protection Center named the Company as the joint defendant. The Company retained the Attorney-at-Law to defend. The Taiwan Taipei District Court already in December 2016 dismissed the lawsuit lodged by the Investors Protection Center. In turn, the Investors Protection Center appealed to the Taiwan High Court. The present issue is still under review process by the Taiwan High Court at the moment.
3. In September 2017, the Company received a litigious claim from Dong Sheng Hua Pharmaceutical Manufacture Co., Ltd. with a claim for NTD5,000 in the excuse that the Company had infringed upon its patent and violated Fair Trade Act. Through the Company's own evaluation, the Company did not at all breach the Patent Act and Fair Trade Act as so claimed. The Company already retained the Attorney-at-Law for a defense.

(XIII) Other major risks and countermeasures: Such fact is nonexistent in the Company.

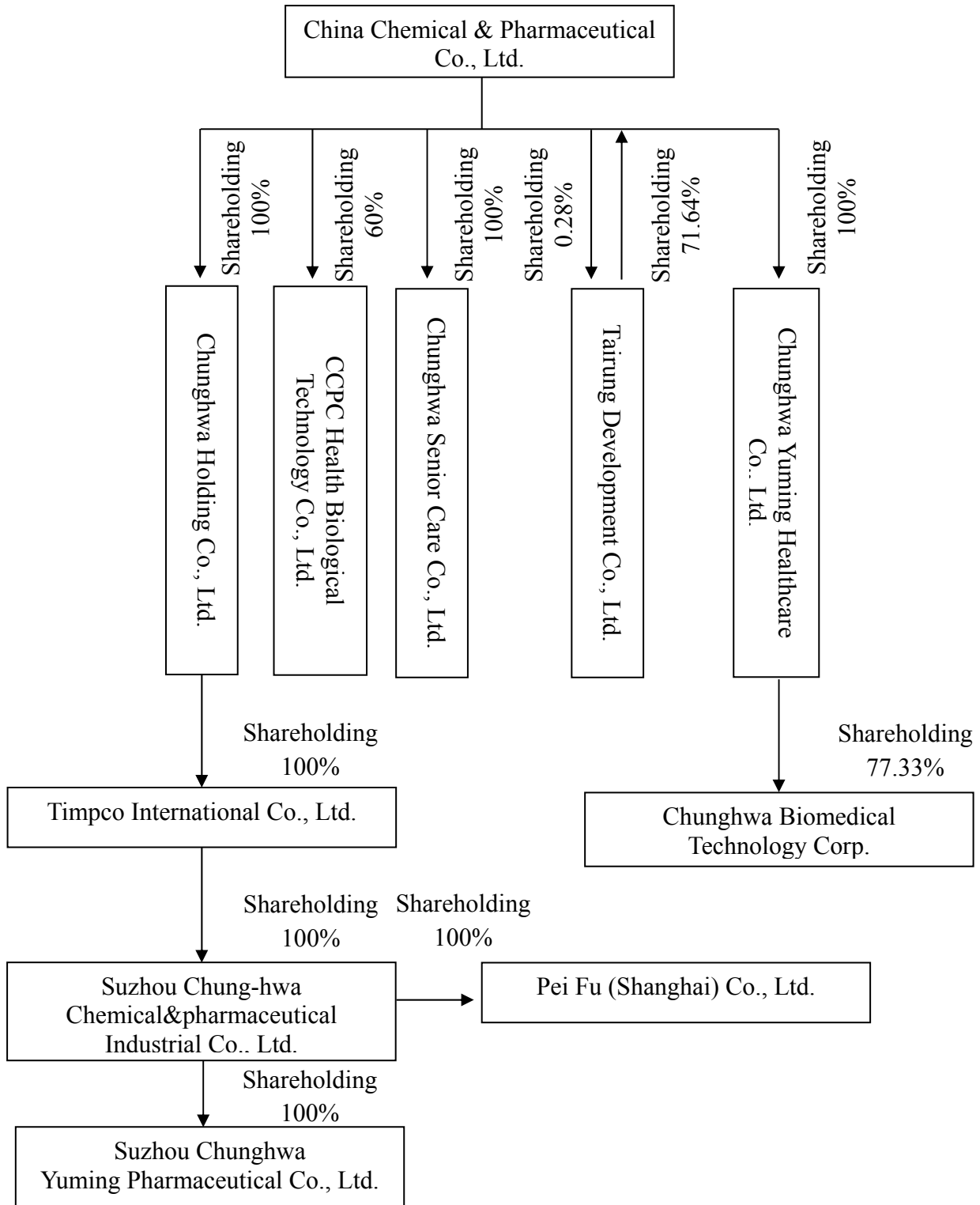
VII. Other important disclosures: None.

Eight. Special remarks

I. Affiliated companies:

(I) Consolidated business reports teaming up with affiliated enterprises

1. Organization chart of the affiliated enterprises of China Chemical & Pharmaceutical Co., Ltd.



2. Fundamental particulars of affiliated enterprises

Unit: NTD thousand

Name of enterprise	Date of foundation	Address	Paid-up Capital	Main business activities or products
Chunghwa Yuming Healthcare Co., Ltd.	2000.01.17	8F., No.23, Xiangyang Rd., Taipei City	295,900	Wholesale and retail sales of Western medicines, medical apparatus and instruments
Tairung Development Co., Ltd.	1968.09.25	5F., No.23, Xiangyang Rd., Taipei City	61,080	Manufacture and sales of glass, plastics made containers
Chunghwa Senior Care Co., Ltd.	2005.12.09	10F., No.23, Xiangyang Rd., Taipei City	50,000	Wholesale of Western medicines, medical apparatus and instruments
PERMPEP CO., LTD.	2015.01.05	2F., No.23, Xiangyang Rd., Taipei City	50,000	Services in biological technology
Chunghwa Holding Co., Ltd	2011.10.04	Harbour Place, 103 South Church Street, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands	444,850	Investment holding
Timpeo International Co., Ltd.	1993.08	Equitor House Tutakimoa Road , Rarotonga , Cook Islands	801,701	Investment holding
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	1994.05	No. 66 Yungan Road, Gaoxin District, Suzhou City, Jiansu Province, China	755,151	Manufacture and sales of Western medicine preparations and health-care articles.
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	2014.10.30	No. 66 Yungan Road, Gaoxin District, Suzhou City, Jiansu Province, China	10,203	Wholesales of traditional Chinese patent medicines, chemical pharmaceuticals, chemical bulk pharmaceutical chemicals (BPC) and the like.
Pei Fu (Shanghai) Co., Ltd.	2011.08.05	Room 1605, No. 777 Hongqiao Road, Xuhui District, Shanghai City, China	182,790	Business management in medical treatment apparatuses and sales of cosmetics.
Chunghwa Biomedical Technology Corp.	2017.05.05	No. 3 Jian 3 rd Road, Guanin District, Taoyuan City	15,000	Manufacture and wholesales of detergent articles, cosmetics.

3. Where presumed to be in control and affiliate relationship, the data of same shareholders:

Not applicable

4. The business lines covered by the overall affiliated enterprises for the business lines:

The business lines covered in overall affiliated enterprises include:

- (1) Principal business lines: Manufacture
- (2) General investment businesses.
- (3) Biotechnical businesses.
- (4) Other business lines: Leasehold, wholesale and retail businesses

The major business lines or production items of the key affiliated enterprises, with details provided in aforementioned Paragraph 2. The fundamental particulars of all affiliated enterprises are shown through the itemized list.

5. Information and data of directors and supervisors, general managers of affiliated enterprises:

December 31, 2017 Unit: shares %

Enterprises Name	Title	Name or the representative person	Shares held	
			Shares	Shareholding percentage
Chunghwa Yuming Healthcare Co., Ltd.	Chairperson	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hsun-Sheng	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Li, Tsung-Yung	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Wu, Chih-Yung	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Tsai, Kuo-Chang	29,590,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Chao, Te-Feng	29,590,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, I-Chun	29,590,000	100.00
	President	Sun, Yin-Nan	0	0
Tairung Development Co., Ltd.	Chairperson	Wang, Hsun-Sheng	1	0.02
	Director	Wang, Hsun-Hui	609	9.97
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	4,376	71.64
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, I-Chun	4,376	71.64
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Cheng, Tai-Yuan	4,376	71.64
	Supervisor	Chao, Te-Feng	151	2.47
	President	Wang, Hsun-Sheng	1	0.02
Chunghwa Senior Care Co., Ltd.	Chairperson	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hsun-Sheng	5,000,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	5,000,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Li, Tsung-Yung	5,000,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Chao, Te-Feng	5,000,000	100.00
	President	Li, Tsung-Yung	0	0
CCPC Health Biological Technology Co., Ltd.	Chairperson	China Chemical & Pharmaceutical Co., Ltd. Representative: Li, Tsung-Yung	3,000,000	60.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Chao, Te-Feng	3,000,000	60.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, I-Chun	3,000,000	60.00
	Director	Chen Hsiao-Ling	982,000	19.64
	Director	Shih Ying-Long	0	0
	Supervisor	Sun, Yin-Nan	0	0
	President	Chen Hsiao-Ling	982,000	19.64
Chunghwa Holding Co., Ltd.	Director	Wang, Hsun-Hui	0	0
Timpc International Co., Ltd.	Director	Wang, Hsun-Hui	0	0
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Chairperson	Wang, Hsun-Hui	0	0
	Director	Wang, Hsun-Sheng	0	0
	Director	Sun, Yin-Nan	0	0
	Director	Chao, Te-Feng	0	0
	Director	Kuo Chung-Tai	0	0

Enterprises Name	Title	Name or the representative person	Shares held	
			Shares	Shareholding percentage
	Director	Huang, I-Chun	0	0
	Director	Sun Hua	0	0
	Supervisor	Wang Hsieh Cheng-Ching	0	0
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Executive Director	Wang, Hsun-Hui	0	0
	President	Wang, Hsun-Hui	0	0
	Supervisor	Sun Wen-Lung	0	0
Pei Fu (Shanghai) Co., Ltd.	Executive Director	Wang Hou-Chieh	0	0
	President	Wang Hou-Chieh	0	0
	Supervisor	Shen Ta-Hai	0	0
Chunghwa Biomedical Technology Corp.	Chairperson	Chunghwa Yuming Healthcare Co., Ltd. Representative: Sun, Yin-Nan	1,160,000	77.33
	Director	Chunghwa Yuming Healthcare Co., Ltd. Representative: Hsu, Huo-Shu	1,160,000	77.33
	Director	Hong Yueh-Yung	290,000	19.33
	Supervisor	Huang, I-Chun	0	0
	Supervisor	Hu Hui-Lan	0	0

6. Business performances of the affiliated enterprises in summary

Unit: NTD thousand

Name of enterprise	Paid-up Capital	Total assets	Total liabilities	Net value	Net operating income	Operating profit	Profit and/or loss this term (After tax)	Earnings per share (\$) (After tax)
Chunghwa Yuming Healthcare Co., Ltd.	295,900	1,844,020	1,297,742	546,278	2,888,496	71,065	47,317	1.60
Tairung Development Co., Ltd.	61,080	198,111	101,865	96,246	106,222	43	293	47.97
Chunghwa Senior Care Co., Ltd.	50,000	25,821	13,736	12,085	29,597	(9,915)	(10,118)	(2.02)
PHERMPEP CO., LTD.	50,000	31,291	4,207	27,084	19,051	(11,136)	(10,876)	(2.18)
Chunghwa Holding Co., Ltd.	444,850	1,155,440	0	1,155,440	0	(161)	19,269	0.43
Timpeco International Co., Ltd.	801,701	1,155,350	16	1,155,334	0	(64)	19,463	1.18
Suzhou Chung-hwa Chemical & pharmaceutical Industrial Co., Ltd.	755,151	1,903,453	762,009	1,141,444	1,730,935	5,170	21,505	-
CCSB	15,000	26,460	16,301	10,159	5,151	(4,821)	(4,841)	(3.23)

- (II) The consolidated business reports with affiliated enterprises; consolidated financial statements with affiliated enterprises and reports about affiliated enterprises

China Chemical & Pharmaceutical Co., Ltd.
The Affiliate's Declaration of Consolidated Financial Statements

In Fiscal 2017 (the entire period starting from January 1, 2017 until December 31, 2017), the parent company and subsidiaries which the Company shall, exactly in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", work out consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) No. 10 are exactly the same. Those information of the parent company and subsidiaries having been disclosed through the consolidated financial statements of the parent company and subsidiaries. The consolidated financial statements of the affiliated enterprises are, therefore, no longer worked out once more.

Declared by:

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



Representative: Wang, Hsun-Sheng



March 26, 2018

- II. Private placement of securities during the latest year up till the publication date of this annual report: None.
- III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.
- IV. Other supplementary information: None.
- V. Occurrences of events defined under Article 36-2-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

China Chemical & Pharmaceutical Co., Ltd.



Chairperson: Wang, Hsun-Sheng



