



**CHINA CHEMICAL & PHARMACEUTICAL CO., LTD.**

# 2019 Annual General Shareholders' Meeting Meeting Agenda (Translation)



May 27, 2019

Market Observation Post System : <http://mops.twse.com.tw>

Note to Readers:

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

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# China Chemical & Pharmaceutical Company, Limited - Meeting Procedures for the 2019 Annual Shareholders' Meeting

Time: 9:00 a.m., Monday, May 27, 2019

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

1. Report the total shares held by the attending shareholders
2. Announce the start of the meeting
3. Chairperson's Remarks
4. Report Items
  - (1) The 2018 Business Report
  - (2) Audit committee's review report on the 2018 financial statements
  - (3) Distribution of employees' and directors' compensation in 2018
  - (4) To report the status of endorsement and guarantee on December 31, 2018
  - (5) Other report items
5. Matters for ratifications:
  - (1) Adoption of the 2018 business report and financial statements
  - (2) Adoption of the Proposal for Distribution of 2018 Profits
6. Matters for discussion:
  - (1) Amendments to a number of articles of the Procedure for the Acquisition and Disposal of Assets of the Company.
  - (2) Amendments to a number of articles of the Endorsement and Guarantee Operations Procedure of the Company.
  - (3) Amendments to a number of articles of the Provision of Financial Loans to Other Parties.
7. Questions and Motions:
8. Adjournment

## Reports

1. For the 2018 Business Report of the Company, please refer to page 27 to 29 of Appendix 1 of this manual.
2. Report by the audit committee on the review of the final statement of 2018:

China Chemical & Pharmaceutical Co., Ltd.

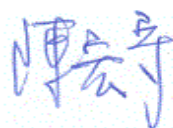
### Review report of the audit committee

This review report was generated after complete review of the Company's business report, financial statements (including individual and consolidated financial statements), and surplus distribution proposal for 2018 submitted by the Board of Directors. After reviewing the aforementioned business report, financial statements (including individual and consolidated financial statements), and surplus distribution proposal, the audit committee believes the documents to be free from misstatement and errors. The financial statements (including individual and consolidated financial statements) were completely audited by CPAs Chun-yao Lin and Shu-chiung Chang of PwC Taiwan. Therefore, a review report, as required by the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, has been issued for further review and approval.

Sincerely,

2019 Annual Shareholders' Meeting of the China Chemical & Pharmaceutical Co., Ltd.

Chairperson of the audit committee: Chen, Hung-Shou



March 26, 2019

3. Report on the distribution of directors' remuneration and employees' compensation of the Company for 2018:

Description: (1) A proposal on distributing NT\$30,000,000 toward employees' compensation and NT\$4,400,000 for the directors' remuneration in 2018, all sums given wholly in cash, has been passed by a resolution of the Company's Board of Directors meeting on March 11, 2019.

(2) The aforementioned resolved sums and the amount of money in the recognized expenses of 2018 are free from discrepancies.

4. Endorsements and guarantees of the Company up to December 31, 2018.

China Chemical & Pharmaceutical Company  
Detailed statement of endorsements and guarantees on December 31, 2018  
Unit: Thousand NT\$

| Target of the endorsement /<br>guarantee | Guaranteed item                                | Guaranteed sum |
|--|--|----------------|
| HU YU CO., LTD.                          | Financial institution financing<br>endorsement | 321,000        |

Notes:

1. The CPA-approved financial statement of 2018 of the Company indicates a net worth of NT\$5,670,558,000.
2. Total liabilities of endorsements and guarantees given to other companies are a sum of NT\$2,835,279,000.
3. The maximum limit of any endorsement or guarantee given to a single entity is NT\$1,701,167,000.

5. Other reports.

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

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

## Ratifications

NO. 1 : (Proposed by the Board)

Subjec: Approval of the 2018 Business Report and Final Statement of the Company.

Description: (1) The Company's Business Report and 2018 Financial Statement and consolidated

financial statement have been approved through a resolution of the Company's Board of Directors meeting on March 11, 2019. The approved documents were the submitted to the audit committee. The audit committee, upon completion of the review, generated an audit committee's review report.

(2) For the 2018 Business Report, CPA review and approval report, financial statement, and consolidated financial statement, please refer to pages 27 to 50 of Appendix 1 and Appendix 2

(3) Please Ratify.

Resolution:

NO. 2 : (Proposed by the Board)

Subjec: Approval of the 2018 surplus distribution

Description: (1) Please approve the Company's 2018 surplus distribution (per the disposition of net earnings provided in page 51 of Appendix 3).

(2) A proposal was made to provide a cash dividend of NT\$0.8 per share. Once this proposal is passed by resolution in an annual shareholders' meeting, the authorized Board of Directors shall stipulate an ex-dividend date to distribute the cash dividend.

(3) In the future, if the company buys back shares, transfers or retires treasury shares, or changes convertible bonds to ordinary shares, or employees purchase ordinary shares with stock option certificates that result in changes in the number of outstanding shares which will result in fluctuations in dividend distribution rates among shareholders, the shareholders are requested to authorize the Board of Directors to act suitably

Resolution:

## Discussions

No. 1: (Proposed by the Board)

Subject: Please discuss the Amendments to the Operating procedures for the Acquisition and Disposal of Assets for the Company.

Description: In accordance with the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"

Comparison Table of Amendments to the Operating procedures for the Acquisition and Disposal of Assets by China Chemical and Pharmaceutical Co., Ltd.

Date of Amendment: March 5, 2019

| Clauses after the amendment  | Original clause   | Remarks  |
|--|---|--|
| <p>Article 3: The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>(The content is omitted.)</li> <li>Real estate (including land, building, investment properties, and construction inventory) and equipment.</li> <li>Membership card</li> <li>(The content is omitted.)</li> <li><u>Right-of-use assets</u></li> <li>Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions.</li> <li>Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</li> <li>Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution</li> </ol> | <p>Article 3: The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>(The content is omitted.)</li> <li>Real estate (including land, building, investment properties, <u>land use rights</u>, and construction inventory) and equipment.</li> <li>Membership card</li> <li>(The content is omitted.)</li> <li>Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions</li> <li>Derivatives: Refers to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts <u>and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits</u>. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchases (sales) contracts.</li> <li>The assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: Refers to the assets acquired or disposed of through merger, division or acquisition in accordance with the Business Merger Act, Financial Holding Company Act, Financial Institution Merger Act or any other law; or the issuance of new shares in exchange for the stock shares of other companies in accordance with Article 156 Paragraph <u>8</u> of the Company Act (hereinafter referred to as "transfer of shares").</li> <li>Other important assets</li> </ol> | <ol style="list-style-type: none"> <li>In accordance with the provisions of Lease Bulletin No. 16 of the International Financial Reporting Standards IFRS, a new paragraph 5 was added to expand the scope of the assets of the right to use, and the current paragraph 2 of the right to use land was transferred to paragraph 5.</li> <li>The exiting paragraph 5 was changed to paragraph 8, and paragraph 6 to paragraph 9.</li> </ol> |

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| <p>Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>9. Other important assets</p>  |  |  |
| <p>Article 4:</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></li> <li>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></li> <li>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></li> </ol> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prudently assess own professional competencies, practical experience, and independence prior to undertaking assignments.</u></li> <li>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in</u></li> </ol> | <p>Article 4:</p> <p>The professional evaluator, his evaluator, accountant, lawyer or securities underwriters who made the valuation report or opinions of an accountant, lawyer or securities underwriter that the Company obtained <u>shall not be the related party who were involved in the transaction.</u></p> | <p>Referring to Decree Jing-guan-zheng-fa-zi No. 1070341072 issued by the Financial Supervisory Commission on November 26, 2018, amending the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p> |



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| <p><u>order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>   |   |  |
| <p>Article 5: The Company and its subsidiaries may individually purchase the total amount of real estate or marketable securities not for business use and may invest in individual marketable securities as follows:</p> <p>The Company:</p> <ol style="list-style-type: none"> <li>1. The total amount of real estate for non-business use <u>and its right-of-use assets</u> shall not exceed 20% of the company's net value.</li> <li>2. The total amount of investment in long-term and short-term securities shall not exceed <u>90%</u> of the company's net value.</li> <li>3. The limit of investment in individual securities shall not exceed <u>50%</u> of the net value of the company.</li> </ol> <p>For each subsidiary:</p> <ol style="list-style-type: none"> <li>1. The total amount of real estate for non-business use <u>and its right-to-use assets</u> shall not exceed 10% of the company's net value.</li> <li>2. The total amount of investment in long-term and short-term securities shall not exceed <u>90%</u> of the company's net value.</li> <li>3. The limit of investment in individual securities shall not exceed <u>50%</u> of the</li> </ol> | <p>Article 5: The Company and its subsidiaries may individually purchase the total amount of real estate or marketable securities not for business use and may invest in individual marketable securities as follows:</p> <p>The Company:</p> <ol style="list-style-type: none"> <li>1. The total amount of real estate not for business use shall not exceed 20% of the company's net value.</li> <li>2. The total amount of investment in long-term and short-term securities shall not exceed <u>70%</u> of the net value of the company.</li> <li>3. The limits of investment in individual securities shall not exceed <u>30%</u> of the net value of the company.</li> </ol> <p>For each subsidiary:</p> <ol style="list-style-type: none"> <li>1. The total amount of real estate not for business use shall not exceed 10% of the company's net value.</li> <li>2. The total amount of investment in long-term and short-term securities shall not exceed <u>70%</u> of the net value of the company.</li> <li>3. The limits of investment in individual securities shall not exceed <u>30%</u> of the net value of the company.</li> </ol> | <p>With the applicable International Financial Reporting Standards Bulletin No. 16 IFRS lease provisions, it amends the calculation of assets used for immovable property that are not intended for business to be included in the limits of the processing procedures established by the company, and to amend the total investment, individual limits.</p> |

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| net value of the company.<br>(The following content is omitted.)   | (The following content is omitted.)   |   |
| <p>Article 7: Procedure for Determining Conditions of Transaction:<br/>(without mentioning the contents of Paragraph 1)</p> <p>2. Acquisition or disposal of assets shall be decided by the authority and responsibility unit within the scope of its authorization.</p> <p>(1) (The content is omitted.)</p> <p>(2) Acquisition or disposal of real estate, equipment <u>or assets of their right to use</u>:</p> <p>1. If the amount of realty <u>or its right to use assets</u> is less than NT\$50 millions, they shall be submitted to the Chairman for approval. If the amount exceeds NT\$50 millions, they shall also be submitted to the Audit Committee for approval by more than one-half of all the members and submitted to the board of directors for approval.</p> <p>2. Those who acquire or dispose of equipment <u>or its right-to-use assets</u> with the amount of NT\$30 millions or less shall submit them to the Chairman for approval. If the amount exceeds NT\$30 millions they shall also submit to the Audit Committee for approval by more than one-half of all the members and only after the approval of the Board of Directors. Submitted to the board of directors for approval.</p> <p>(The following content is omitted.)</p> | <p>Article 7: Procedure for Determining Conditions of Transaction:<br/>(without mentioning the contents of Paragraph 1)</p> <p>2. Acquisition or disposal of assets shall be decided by the authority and responsibility unit within the scope of its authorization:</p> <p>(1) (The content is omitted.)</p> <p>(2) Acquisition or disposition of real estate <u>and</u> equipment</p> <p>1. When acquiring or disposing real estate at the amount less than NTD 50 million the President shall have the right to ratify while the amount exceeds NTD 50 million, the case shall be submitted to the Audit Committee with the approve over 1/2 members and later, it shall be sent to the Board of Directors' meeting for approval.</p> <p>2. Those who acquire or dispose of equipment with the amount of NT\$30 millions or less shall submit it to the Chairman for approval. If the amount exceeds NT\$30 millions they shall also them submit to the Audit Committee for approval by more than one-half of all the members and only after the approval of the Board of Directors submitted to the board of directors for approval.</p> <p>(The following content is omitted.)</p> | <p>With applicable IFRS Bulletin No. 16 lease provisions, it amends the calculation of assets used for the use of real estate and equipment to be included in the limits of the processing procedures established by the company.</p> |
| <p>Article 8: If the company acquires or disposes of assets, it shall, according to the types of assets, appoint experts to submit reports in accordance with the following provisions.</p> <p>1. In the event that the transaction amount for acquiring or disposing of real property, equipment, or <u>its right-of-use assets</u> reaches twenty percent</p>  | <p>Article 8: If the company acquires or disposes of assets, it shall, according to the types of assets, appoint experts to submit reports in accordance with the following provisions.</p> <p>1. In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches twenty percent (20%) of the paid-in</p>  | <p>1. With the applicable IFRS Bulletin No. 16 lease provisions, it amends the calculation of assets used for the use of real estate, equipment and intangible assets to be included in</p>   |

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| <p>(20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a <u>domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or its right-of-use assets held for business use.</u></p> <p>(1) Where for special reasons a limited price, a specific price or a special price is to be used as a reference basis for the transaction price, <u>the transaction shall first be approved by a resolution of the board of directors; the same with if there is a subsequent change in the terms of the transaction condition.</u></p> <p>(2)~(4) (The content is omitted.)</p> <p><u>Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</u></p> <p>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, if the securities are publicly quoted in the market or meets the following requirements, the company may not obtain financial statements and consult the accountant for opinions.</p> <p>(1) To obtain securities for setting up</p> | <p>capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use.</p> <p>(1) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. <u>The changes in trading conditions should be processed the same.</u></p> <p>(2)~(4) (The content is omitted.)</p> <p>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, if the securities are publicly quoted in the market or meets the following requirements, the company may not obtain financial statements and consult the accountant for opinions.</p> <p>(1) In accordance with the <u>Company Act</u> initiated the establishment or collection of the establishment of cash capital to obtain securities, and to obtain the recognition of securities rights and the proportion of capital contribution is equivalent.</p> | <p>the limits of the processing procedures established by the company, and new definitions of terms.</p> <p>2. Referring to Letter Jin-guan-zheng-fa-zi No. 1070331908 issued by the Financial Supervisory Commission on August 9, 2018, the "Interpretation for Provisions of Article 10, the Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the provisions for the exemption of financial statements from securities acquisition or disposal and for consultation with accountants for opinions are amended.</p> |
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| <p>by <u>law</u> or funds rising with cash contribution, and the right to obtain the recognition of securities is equal to the proportion of capital contribution.</p> <p>(2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.</p> <p>(3) To participate in the subscription of securities issued <u>directly or indirectly</u> by 100% investment companies for cash capital increase, <u>or between 100% holding subsidiaries to participate in the subscription of cash capital increase and the issuance of securities.</u></p> <p>(4) (The content is omitted.)</p> <p>(5) The security in question is a <u>domestic</u> government bond or a repurchase/resale agreement.</p> <p>(6) Public offering fund.</p> <p>(7) According to the securities auction or tender offer ways of the <u>Taiwan</u> Stock Exchange Corporations listed or <u>the Taipei Exchange</u> to approach the acquisition or disposition of listed stock.</p> <p>(8) To participate in a public offering company's cash replenishment recognition unit or to subscribe for corporate debt (including financial bonds), and made of non-marketable securities is a privately placed security in Taiwan.</p> <p>(9) (The content is omitted.)</p> <p>3. (The content is omitted.)</p> <p>4. In the event that the transaction amount for acquiring or disposing of intangible assets <u>or its right-of-use assets or memberships</u> reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a <u>domestic</u> government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price.</p> | <p>(2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.</p> <p>(3) Securities are acquired by subscribing to a cash issue organized by the Company's 100%-owned <u>investee</u>.</p> <p>(4) (The content is omitted.)</p> <p>(5) The security in question is a government bond or a repurchase/resale agreement.</p> <p>(6) <u>Domestic and foreign</u> public offering fund.</p> <p>(7) The acquisition or disposal involves TWSE or TPEX-listed shares, and the transaction is completed according to Taiwan Stock Exchange Corporation/Taipei Exchange Rules Governing Purchase of Listed Securities by Reverse Auction or Rules Governing Auction of Listed Securities by Consignment.</p> <p>(8) To participate in a public offering company's cash replenishment recognition unit or to subscribe for a corporate debt (including financial bonds), and made of non-marketable securities is a privately placed securities in Taiwan.</p> <p>(9) (The content is omitted.)</p> <p>3. (The content is omitted.)</p> <p>4. The Company's acquisition or disposal of membership card or intangible assets for an amount exceeding 20% of the paid-in capital or NTD300 million, except for transactions with government agencies, should have a CPA contracted to express an opinion on the reasonableness of the price prior to the date of the event. The CPA should have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation.</p> |  |
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| <p>The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>  |  |   |
| <p>Article 9: Related Party Transactions:</p> <ol style="list-style-type: none"> <li>1. (The content is omitted.)</li> <li>2. Where the Company acquires or disposes of real estate or <u>its right-to-use assets</u> from its related party, or other assets other than real estate or <u>its right-to-use assets</u> acquired or disposed of with its related party and the transaction amount amounts to 20% of the company's paid-in capital, 10% of its total assets or more than NT\$300 millions, in addition to Sale and purchase in <u>domestic</u> bonds, bonds subject to buy-back or sell-back conditions, applications for purchase or buy-back domestic securities issued by domestic securities investment trust enterprise, the following information should be submitted to the Audit Committee with the consent of more than one-half of all members and submitted to the board of directors for approval before signing a transaction contract and paying the amount.</li> </ol> <p>(1)~(2)(The content is omitted.)</p> <p>(3) With respect to the acquisition of real property <u>or right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, 4, 5 and 6 of this Article.</p> <p>(4)~(7) (The content is omitted.)</p> <p>(without mentioning the contents of Paragraph 2)</p> <p>The board of directors may authorize the chairman of the board of directors in accordance with Paragraph 2, Article 7 to make a decision on the following transactions, between the company and its parent company, subsidiaries, <u>or subsidiaries company that directly or indirectly holds 100% of the issued shares or total capital</u>. The board of directors may authorize the chairman to make a decision within a certain amount, and then report the</p> | <p>Article 9: Related Party Transactions:</p> <ol style="list-style-type: none"> <li>1. (The content is omitted.)</li> <li>2. Where the Company acquires or disposes of real estate from its related party, or other assets other than real estate acquired or disposed of with its related party, and the transaction amount amounts to 20% of the company's paid-in capital, 10% of its total assets or more than NT\$300 million, in addition to Sale and purchase in <u>domestic</u> bonds, bonds subject to buy-back or sell-back conditions, applications for purchase or buy-back domestic securities issued by domestic securities investment trust enterprise, the following information should be submitted to the Audit Committee with the consent of more than one-half of all members and submitted to the board of directors for approval before signing a transaction contract and paying the amount.</li> </ol> <p>(1)~(2)(The content is omitted.)</p> <p>(3) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, 4, 5 and 6 of this Article.</p> <p>(4)~(7) (The content is omitted.)</p> <p>(without mentioning the contents of Paragraph 2)</p> <p>The board of directors may authorize the chairman of the board of directors, in accordance with Paragraph 2 of Article 7, to make a decision on the acquisition or disposal of equipment for business use between the company and its parent Company or subsidiaries, within a certain amount, and then report the transaction to the latest audit committee with the approval of more than one-half of the members, and then submit to the latest board of directors for their ratification.</p> | <p>With applicable IFRS Bulletin No. 16 lease provisions, the amendment incorporates the right-to-use assets of real estate into the procedures prescribed by the company and makes written amendments as appropriate in order to comply with the legal system.</p> |

transaction to the latest audit committee with the approval of more than one-half of the members, and then submit to the latest board of directors for their ratification:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real property or right-of-use assets thereof held for business use.
3. To obtain real estate or its right to use assets from a related party, the reasonableness of the transaction cost shall be assessed in accordance with the following methods (the combined purchase or lease of land and housing of the same subject is required to assess the transaction cost in respect of the land and house respect of the land and the house respectively, by any of the following methods:
  - (1)~(2) (The content is omitted.)
4. When acquiring real property or its right-of-use assets from a related party, this Company shall assess the fairness of the transaction cost with respect to the previous paragraphs and ask a CPA for a review and specific opinion.
5. The first two provisions shall be exempted from the acquisition of real estate or its right to use assets from the related parties in one of the following circumstances, but they shall still be dealt with in accordance with the paragraph 2.
  - (1) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - (2) Related party's contracting for the acquisition of real estate or its right-of-use assets is over five years from the date of the trade contract signed.
  - (3) (The content is omitted.)
  - (4) The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized

- When reported to the Board for discussion in accordance with Paragraph 2 of this Article, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.
3. To obtain real estate from a related party, the reasonableness of the transaction cost shall be assessed in accordance with the following methods (the combined purchase of land and housing of the same subject is required to assess the transaction cost in respect of the land and house respect of the land and the house respectively, by any of the following methods:
    - (1)~(2)(The content is omitted.)
  4. The cost of the real estate acquired by the Company from the related party should be assessed in accordance the provision referred to above; also, a CPA should be commissioned to review and express an opinion.
  5. The first two provisions shall be exempted from the acquisition of real estate from the related parties in one of the following circumstances, but they shall still be handled in accordance with the Paragraph 2:
    - (1) The related party acquired the real property thereof through inheritance or as a gift.
    - (2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.
    - (3) (The content is omitted.)
  6. The acquisition of real estate from the related party shall be handled in accordance with Paragraph 7 if the results evaluated in Paragraph 3 of this Article are lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:
    - (1) Related party that has obtained

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| <p><u>capital.</u></p> <p>6. The acquisition of real estate from the related party shall be handled in accordance with Paragraph 7 if the results evaluated in Paragraph 3 of this Article are lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <p>(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <ol style="list-style-type: none"> <li>1. (The content is omitted.)</li> <li>2. Completed transactions by unrelated parties within the preceding year involving other floors or neighboring or closely valued parcels of land, where the land area and <u>transaction</u> terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or <u>leasing</u> practices.</li> </ol> <p>(2) Where the company acquiring real property, <u>or obtaining real property right-of-use assets</u> through leasing, from a related party provides evidence that the terms <u>of the transaction</u> are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) A case in which a <u>transaction</u> in a neighbouring area as stated in (1), (2) is referred to the cases based on the principle that the same or adjacent street profile is not more than 500 meters from the subject matter of the transaction or the present value of its announcement is similar, and that the area of the other non-related party transaction case is not less than</p> | <p>prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <ol style="list-style-type: none"> <li>1. (The content is omitted.)</li> <li>2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.</li> </ol> <p><u>3. The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.</u></p> <p>(2) The Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>(3) The alleged “successful trade” in the neighborhood referred to (1), (2) for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real estate.</p> <p>7. To acquire real estate or its right to use assets from a related party and, if the results of the Paragraph 3, 4, 5 and 6 of this Article are assessed to be lower than the transaction price,</p> |  |
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| <p>50% of the subject matter area. The alleged “within one year” is based on the date on which the fact of the acquisition of real estate <u>or its right to use the assets</u> occurred as a basis for a retrospective calculation of one year.</p> <p>7. To acquire real estate <u>or its right to use assets</u> from a related party and, if the results of the Paragraph 3, 4, 5 and 6 of this Article are assessed to be lower than the transaction price, the following matters shall be dealt with:</p> <p>(1) A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property <u>or its right-of-use assets</u>, without being distributed or used for capital increase or issuance of bonus shares. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets purchased <u>or leased</u> at a higher price has been recognized as a loss for devaluation or disposed of, or the lease of such assets has been terminated; or appropriate compensation has been made; or restoration as is is completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.</p> <p>(2)~(3)(The content is omitted.)</p> <p>With acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall comply with the</p> | <p>the following matters shall be dealt with:</p> <p>(1) A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets purchased at a higher price has been recognized as a loss for devaluation or disposed of, or appropriate compensation has been made; or restoration as is is completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.</p> <p>(2)~(3)(The content is omitted.)</p> <p>The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with (1), (2), (3) referred to above.</p> |  |
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| preceding (1), (2), (3), if there is other evidence indicating that the acquisition was not an arm's length transaction.  |  |   |
| <p>Article 10: Acquisition or disposal of intangible assets or <u>its right to use assets or membership cards</u> or claims of financial institutions.</p> <p>1. Those who acquire or dispose of intangible assets <u>or their right to use assets or membership cards</u> with the amount of NT\$15 millions or less shall submit it to the Chairman for approval. If the amount exceeds NT\$15 millions they shall also submit to the Audit Committee for approval by more than one-half of all the members and submitted to the board of directors for approval.</p> <p>2. (The content is omitted.)</p> | <p>Article 10: Acquisition or disposal of <u>membership cards</u> or intangible assets or claims of financial institutions.</p> <p>1. Those who acquire or dispose of <u>membership cards</u> or intangible assets with the amount of NT\$15 millions or less shall submit them to the Chairman for approval. If the amount exceeds NT\$15 millions they shall also submit them to the Audit Committee for approval by more than one-half of all the members and only after the approval of the Board of Directors submitted to the board of directors for approval.</p> <p>2. (The content is omitted.)</p> | <p>With the applicable International Financial Reporting Standards Bulletin No. 16 lease provisions, the amendments are made to incorporate the right-to-use assets of intangible assets into the procedures prescribed by the company.</p> |
| <p>Article 12: Corporate merger, spins-off, acquisition, and assignment of shares</p> <p>1~4 (The content is omitted.)</p> <p>4. The Company that participates in the merger, spins-off, acquisition, or assignment of shares should have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:<br/>(The following content is omitted.)</p>  | <p>Article 12: Corporate merger, spins-off, acquisition, and assignment of shares</p> <p>1~4 (The content is omitted.)</p> <p>5. When participating in merger, division, acquisition or transfer of shares, the contract shall have its <u>relevant</u> rights and obligations, and shall specify the following matters.<br/>(The following content is omitted.)</p>   | <p>Minor text amendment for legal process.</p>  |
| <p>Article 13: Information Disclosure Procedures:</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format:<br/>(1) To acquire or dispose of real estate <u>or its right-to-use assets</u>, or to acquire or dispose of other assets other than real estate or <u>its right-to-use assets</u> with the</p>  | <p>Article 13: Information Disclosure Procedures:</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format:<br/>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party with a</p>   | <p>Writing revisions to comply with the legal system and new definitions of terms.</p>  |

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| <p>related party, and the transaction amount amounts to 20% of the company's paid-in capital, 10% of the total assets or more than NT\$300 million. However, <u>domestic bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</u> is not subject to such requirements.</p> <p>(2)~(3)(The content is omitted.).</p> <p>(4) The acquisition or disposal of assets that are operating equipment <u>or its right-of-use assets</u> and the counterparty is not a related party; also, the trade amount does not exceed NT\$500 million.</p> <p>(5) Acquisition of real property under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and redistribution of housing units, joint construction and redistribution of ownership percentages, or joint construction <u>and separate sales from an unrelated party</u> in which the Company expects to invest up to NT\$500 million.</p> <p>(6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the <u>five</u> paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. <u>Domestic</u> government bonds trade.</li> <li>2. (The content is omitted.)</li> </ol> <p><u>Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</u></p> | <p>transaction amount that reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.</p> <p>(2)~(3)(The content is omitted.).</p> <p>(4) The acquisition or disposal of assets that are operating equipment and the counterparty is not a related party; also, the trade amount does not exceed NT\$500 million.</p> <p>(5) Real estate is acquired by means of self-construction, rental land construction, co-construction and sub-housing, co-construction and co-construction and sub-sale, if the transaction amount is over NT\$500 million <u>(based on the estimated investment amount of the company)</u>.</p> <p>(6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the <u>five</u> paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. Bond trade.</li> <li>2. (The content is omitted.)</li> </ol> <p>2. The transaction amount referred to above is calculated in accordance with the following methods.</p> <p>(1)~(2)(The content is omitted.).</p> <p>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property assets thereof within the same development project within the preceding year.</p> <p>(4) (The content is omitted.)<br/>(The content of Paragraph 2 is</p> |  |
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| <p>2. The transaction amount referred to above is calculated in accordance with the following methods.</p> <p>(1)~(2)(The content is omitted.)</p> <p>(3)Accumulated acquisition or disposal (Accumulation of acquisition and disposal separately), the amount of real estate <u>or its use right assets</u> of the same development plan in one year.</p> <p>(4)(The content is omitted.)</p> <p>(The content of Paragraph 2 is omitted)</p> <p>Date of event: Refers to the transaction contract signing date, payment date, commission Closing Date, transfer date, the Board resolutions date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>Paragraph 3~6 (The content is omitted.)</p> | <p>omitted)</p> <p>The so-called "factual occurrence date" refers <u>in principle</u> to the date on which the transaction is signed, the payment date, the commissioned by the closing date, the transfer date, the resolution date of the board of directors or other sufficient capital to determine the date of the transaction amount of the transaction object and subject (to what, whichever is earlier).</p> <p>For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>Paragraph 3~6 (The content is omitted.)</p>   |  |
| <p>Article 14: Other matters</p> <p>1. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary.</p> <p>The paid-in capital or total asset of this Company shall apply to subsidiaries in the <u>preceding paragraph</u> required to report acquisition or disposal of assets based on the paid-in capital or total asset <u>under paragraph 1 of Article 13</u>.</p> <p>The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p> <p>If the shares of the company are non-denomination or denomination per share is not NT \$10, this Article and Article 8, 9 and 13 which stipulates</p>   | <p>Article 14: Other matters</p> <p>1. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary.</p> <p>The announcement or reporting standard for subsidiary shall be <u>20%</u> of the paid-in capital or <u>10%</u> of the total assets, whichever is the company's paid-in capital or total assets.</p> <p>The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p> <p>If the shares of the company are non-denomination or denomination per share is not NT \$10, this Article and Article 8, 9 and 13 which stipulates the transaction amount of 20% of the</p> | <p>Minor text amendment for legal process.</p> |

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| <p>that the transaction amount of 20% of the paid-in capital shall be calculated on the basis of 10% of the owner's rights and interests of the parent company. <u>The provisions of this procedure concerning the transaction amount of the paid-in capital of NT\$10 billion shall be attributed to the owner's rights and interests of the parent company with an amount of NT\$20 billion.</u></p> <p>Paragraph 2~4 (The content is omitted.)</p> <p>5. This procedure shall be formulated or amended with the consent of more than one-half of all the members of the audit committee and shall be implemented after the adoption of the resolution of the Board of Directors and the consent of the shareholders' meeting.</p> <p>(The following content is omitted.)</p> | <p>paid-in capital shall be calculated on the basis of 10% of the owner's rights and interests of the parent company.</p> <p>Paragraph 2~4 (The content is omitted.)</p> <p>5. This procedure shall be formulated or amended with the consent of more than one-half of all the members of the audit committee and shall be implemented after the adoption of the resolution of the Board of Directors and the consent of the shareholders' meeting. <u>Where Directors may have adverse opinions on record or in written declaration, the Company shall refer to the independent directors of Audit Committee. When reported to the Board for discussion, should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</u></p> <p>(The following content is omitted.)</p> |  |
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Resolutions:

No. 2: (Proposed by the Board)

Subject: Please discuss the amendments to some provisions of the "Endorsement Guarantee Procedure"

Description Implement: According to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" provisions

Comparison Table of Amendment to the Endorsement guarantee Operating Procedures by China Chemical and Pharmaceutical Co., Ltd.

Date of Amendment: March 5, 2019

| Clauses after the amendment  | Original clause  | Remark   |
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| <p>IV. The amount of endorsement guarantee</p> <p>The total amount of the Company's endorsement guarantees shall not exceed 50% of the Company's latest net value of financial statements checked or audited by an accountant, and the amount of the endorsement guarantees for a single enterprise shall not exceed 30% of the Company's latest net value of financial statements checked or audited by an accountant. The total amount of endorsement guarantees for the company and its subsidiaries as a whole shall not exceed 50% of the company's latest net value of financial statements checked by an accountant, and the amount of endorsement guarantees for a single enterprise shall not exceed 30% of the</p> | <p>IV. The amount of endorsement guarantee</p> <p>The total amount of the Company's endorsement guarantees shall not exceed 50% of the Company's latest net value of financial statements checked or audited by an accountant, and the amount of the endorsement guarantees for a single enterprise shall not exceed 30% of the Company's latest net value of financial statements checked or audited by an accountant. The total amount of endorsement guarantees for the company and its subsidiaries as a whole shall not exceed 50% of the company's latest net value of financial statements checked by an accountant, and the amount of endorsement guarantees for a single enterprise shall not exceed 30% of the company's latest net value of financial statements checked or</p> | <p>Minor text amendment for legal process.</p> |

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| <p>company's latest net value of financial statements checked or audited by an accountant. For a company with business dealings with the company, the amount of individual endorsement guarantees shall not exceed the amount of its purchase or sale in the latest year or up to the endorsement guarantees in the current year, which is higher.<br/>(The following content is omitted.)</p>  | <p>audited by an accountant. For a company with business dealings with the company, the amount of individual endorsement guarantees shall not exceed the amount of its purchase or sale in the latest year or up to the endorsement guarantees in the current year, which is higher. <u>If the total amount of endorsement guaranteed by the Company and its subsidiaries as a whole amounts to more than 50% of the company's latest net value of financial statements checked or audited by an accountant, the necessity and reasonableness of the endorsement shall be explained in the shareholders' meeting.</u><br/>(The following content is omitted.)</p>  |  |
| <p>V. Level of decision and authorization</p> <ol style="list-style-type: none"> <li>1. When handling endorsement guarantees, the Company shall sign and verify the endorsement guarantees in accordance with the procedures VI prescribed in <u>this operating procedures</u> and submit them to the Audit Committee with the consent of more than one-half of all the members, and then to the Board of Directors for approval. However, in order to meet the time limit requirement, the board of directors authorizes the chairman to act first within the limit of 50% of the total endorsement guarantees and 30% of the total endorsement guarantees for a single enterprise in accordance with this operation procedures IV, and then submits the report to the latest Audit Committee for approval by more than one-half of all members, and then to the latest board of directors for ratification.</li> <li>2. If the company's endorsement guarantees exceed the limit of endorsement guarantees stipulated in <u>this operating procedures</u> and <u>meet the requirements stipulated in this operating procedures</u> due to business needs, it must first be submitted to the Audit Committee with the consent of more than one-half of all the members, then to the board of directors for approval, and more than half of the directors for joint guarantee of the company's possible losses arising from the excess of the limits. The revised Operating procedures shall be submitted to the shareholders' meeting for approval.</li> </ol> | <p>V. Level of decision and authorization</p> <ol style="list-style-type: none"> <li>1. When making endorsements/ guarantees, the Company shall follow the Procedures regulated by <u>Point VI</u> and report to the Audit Committee for the approval of more than 1/2 committee members before submitting to the Board of Directors' meeting for ratification. But in consideration of time, when the total amount of endorsements/guarantees do not exceed 50% and the total value of endorsements and guarantees to a single entity is limited to 30% of the Net Worth, provided that the conditions set forth in the <u>Point IV</u> are complied with, the Board of Directors shall have the right to authorize the President to make the decision first and afterwards, report to the Audit Committee for the approval of more than 1/2 committee members and then submit to the Board of Directors' meeting for ratification.</li> <li>2. If due to the need of operation, the total amount of endorsements/guarantees exceeds the limitation regulated in <u>Point IV</u>, the approval of more than 1/2 members of Audit Committee is required before submitting to the Board of Directors for ratification; over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits <u>before making endorsements/guarantees</u>. The Procedures should be amended accordingly and the amendment should be submitted at the shareholders' meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge</li> </ol> | <p>Minor text amendment for legal process.</p> |

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| <p>If the shareholders' meeting disagrees, it shall make a plan to eliminate the excess part within a certain period of time.</p> <p>3. The Company directly and indirectly holds more than 90% of the voting shares of the subsidiary in accordance with Paragraph 2 of <u>this operating procedure</u> as an endorsement guarantee, and should report to the Audit Committee with the consent of all members more than one-half, and then report the Company's board of directors resolution before the before involved in endorsement guaranteed. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.</p>   | <p>the amount in excess within a given time limit.</p> <p>3. Before making endorsements/guarantees for a company in which the Company directly or indirectly holds more than 90% of the voting shares according to <u>Point II</u>, the Company shall report to the Audit Committee for approval of over half of all members before submitting the Board of Directors' meeting for ratification. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.</p> <p><u>When the Company makes endorsements / guarantees for others, it shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</u></p>  |  |
| <p>VI. Procedures for Endorsements and Guarantees</p> <p>I~III (The content is omitted.)</p> <p>IV.If, as a result of a change in circumstances, an entity for which an endorsements/guarantee is made no longer meets the requirements of <u>the Procedures</u> or the amount of endorsements/guarantee exceeds the limit or its recent net value audited by the account or shown on financial states is less than 1/2 of paid-in capital, the amount of endorsements/guarantees or the excessive amount shall be cancelled when the term of agreement terminates or the Finance Department hall adopt rectification plans and submit the rectification plans to the President to cancel the endorsements/guarantees within a given time and shall submit relevant refinement plans to the Independent Director of the Audit Committee and complete rectification according to the timeframe set out in the plans. When a subsidiary that the Company makes endorsements/guarantees has the net value less than 1/2 paid-in capital, <u>the Finance Department shall always be aware of financial, operation, and relevant credit status of the subsidiary, and when there is a</u></p> | <p>VI. Procedures for Endorsements and Guarantees</p> <p>I~III (The content is omitted.)</p> <p>IV.If, as a result of a change in circumstances, an entity for which an endorsements/guarantee is made no longer meets the requirements of <u>Point III</u> or the amount of endorsements/guarantee exceeds the limit or its current net value audited by the account or shown on financial states is less than 1/2 of paid-in capital, the amount of endorsements/guarantees or the excessive amount shall be cancelled when the term of agreement terminates or the Finance Department hall adopt modification plans and submit the rectification plans to the President to cancel the endorsements/guarantees within a given time and shall submit relevant approval plans to the Independent Director of the Audit Committee and complete rectification according to the timeframe set out in the plans. If the party that the Company provides endorsements/guarantees with net value less than 1/2 is a subsidiary. For stocks of subsidiary without face value or par face value less than NTD10, the paid-in capital calculated according to the said <u>Paragraph 4</u> shall be calculated as stock capital plus additional paid-in first class capital-</p> | <p>1. Minor text amendment for legal process.</p> <p>2. If a party that the Company provides endorsement s/guarantees with net value less than 1/2 is a subsidiary, there shall be continuous relevant measures of control and organization.</p> |

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| <p><u>significant negative change, endorsements/guarantees shall be cancelled or conducted properly.</u></p> <p>For shareholders of subsidiary hold stocks without face value or par face value less than NTD10, the paid-in capital calculated in the previous paragraph shall be considered as stock capital plus additional paid-in capital-equity premium.</p> <p>5. (The content is omitted.)</p>  | <p>equity.</p> <p>5. (The content is omitted.)</p>   |   |
| <p>IX. Reporting procedures</p> <p>1. (The content is omitted.)</p> <p>2. In addition to the monthly announcement of the balance of endorse/guarantees, when the amount of endorsements/guarantees of the Company and its subsidiary meet one of the standards below, the Finance Department shall make an announcement and affirmation within two days after the fact occurs:</p> <p>(1) ~ (2) (The content is omitted.)</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements / guarantees of investments in and balance of loans to such enterprise <u>calculated in equity modus</u> reaches 30% of the Company's net value as certified by the accountant or stated in its latest financial statement.</p> <p>(4) (The content is omitted.)</p> <p>(The content of Paragraph 4 is omitted.)</p> <p>“Date of occurrence” means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the endorsements/guarantees counterparty and monetary amount of the transaction, whichever date is earlier.</p> | <p>IX. Reporting procedures</p> <p>1. (The content is omitted.)</p> <p>2. In addition to the monthly announcement of the balance of endorse/guarantees, when the amount of endorsements/guarantees of the Company and its subsidiary meet one of the standards below, the Finance Department shall make an announcement and affirmation within two days after the fact occurs:</p> <p>(1) ~ (2) (The content is omitted.)</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements / guarantees for <u>long-term nature</u> of investments in and balance of loans to such enterprise reaches 30% of the Company's net value as certified by the accountant or stated in its latest financial report.</p> <p>(4) (The content is omitted.)</p> <p>(The content of Paragraph 4 is omitted.)</p> <p>The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.</p> | <p>Minor text amendment for legal process.</p>  |
| <p>X. Other matters</p> <p>1. (The content of Paragraph 1 is omitted.)</p> <p>The subordinate shall announce and report the balance, party, and term of endorsements/guarantees made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when endorsements/guarantees meets standards regulated in</p>  | <p>X. Other matters</p> <p>1. (The content of Paragraph 1 is omitted.)</p> <p>The subsidiary shall announce and report the balance, party, and term of endorsements/guarantees made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when endorsements/guarantees meets standards regulated in <u>Paragraph 2</u> of Procedure IX, it shall immediately inform the Company</p>  | <p>1. Minor text amendment for legal process.</p> <p>2. Integrating with the requirement of Market Observation Post System to</p> |

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| <p><u>Paragraph 2 of Procedure IX</u>, it shall immediately inform the Company and make an announcement and statement.</p> <p>2. If there is any item not regulated by the Procedures, relevant laws and rules of the Company shall govern.</p> <p>3. The Procedures will come into force after the approval of over 1/2 members of the Audit Committee and the Board of Directors, and submission to the shareholders' meeting for approval. Where any Director expresses dissent and the opposing opinion is contained in the minutes or in a written statement, the Company shall submit the dissenting opinions to the Audit Committee and shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.</p> <p>If the previous paragraph is not approved by over 1/2 members of the Audit Committee, the endorsements/guarantees shall be made with the approval of over 2/3 members of Board of Directors and shall state clearly the resolution of the Audit agency in the minutes of the Board of Directors' meeting. It is approved by Paragraph 1, 2, and 3 of Procedure V and Paragraph 1 of Procedure VI. The members of the so-called audit committee and the Board of Directors are those who are currently in office.</p> | <p>and make an announcement and declaration.</p> <p><u>2. In each business year, the Company and its subsidiaries shall submit status and items of endorsements/guarantees provision to the next years' shareholders' meeting.</u></p> <p>3. If there is any item not regulated by the Procedures, relevant laws and rules of the Company shall govern.</p> <p>4. The Procedures will come into force after the approval of over 1/2 members of the Audit Committee and the Board of Directors, and submission to the shareholders' meeting for approval. Where any Director expresses dissent and the opposing opinion is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to <u>the Independent Director of Audit Committee and shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures. When the Procedures are submitted to the Board of Directors for discussion, it shall take into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for disagreement shall be included in the minutes of the Board of Directors' meeting.</u></p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. It is approved by Paragraph 1, 2, and 3 of Procedure V and Paragraph 1 of Procedure VI. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> | <p>report and disclose endorsements/guarantees provision, the Company cancels operations of Paragraph 2 and adjusts Paragraph 3 and 4 to Paragraph 2 and 3.</p> |
|--|--|---|

Resolutions:



No. 3: (Proposed by the Board)

Subject: Partial amendments to the “Operational Procedures for Loaning Funds to Others”. Please proceed to discuss.

Description: In compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

Amendment Table of Rules Governing the Operational Procedures of Loaning of Funds to Others by China Chemical & Pharmaceutical Co., Ltd.

Date of Amendment: March 5, 2019

| Clauses after the amendment   | Original clause   | Remark   |
|---|---|--|
| <p>4. For the total limited amount of making loans to single loans (without mentioning the contents of Paragraph 1), when offering loans to foreign companies needing short-term financing funds, in which the Company holds, directly or indirectly or 100% of the voting shares or <u>engaging of foreign companies in which the Company holds, directly or indirectly 100% of the voting shares in capital lending to the Company, the total amount of loan shall not exceed 30% of the amount of the net value of the Company yet the maximum amount for single loan shall not exceed 15% of the net worth of the Company, and the financing period for lending is limited to ten years.</u></p> <p>(The following content is omitted.)</p> | <p>4. For the total limited amount of making loans to single loans (without mentioning the contents of Paragraph 1), making loans to the foreign companies needing short-term financing funds, in which the Company holds, directly or indirectly, 100% of the voting shares, <u>shall not apply the restriction provided Paragraph 1 and Paragraph 1 of Procedure VI but shall comply with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the maximum amount and duration of loans has to be specified in “Operational Procedures for Loaning Funds to Others”.</u></p> <p>(The following content is omitted.)</p>   | <p>Incorporating with parts of amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” the Company liberates loans provided by public companies in which the Company holds, directly or indirectly, 100% of the voting shares and amends contents, specified amount, limited amount, and duration of loans regulated in contents of Paragraph 2.</p> |
| <p>5. Operational procedures for loans to others</p> <p>(1)~(2) (The content is omitted.)</p> <p>(3) Scope</p> <p>Before providing loans to others, the Board Meeting of the Company shall refer to the credit checking reports prepared by the competent divisions and send to the Audit Committee for the approval of over 1/2 members before submitting for the approval of the Board of Directors’ meeting. No authorization to others to make any loan decision is allowed.</p>  | <p>5. Operational procedures for loans to others</p> <p>(1)~(2) (The content is omitted.)</p> <p>(3) Scope</p> <p>Before providing loans to others, the Board Meeting of the Company shall refer to the credit checking reports prepared by the competent divisions and send to the Audit Committee for the approval of over 1/2 members before submitting for the approval of the Board of Directors’ meeting. No authorization to others to make any loan decision is allowed.</p> <p><u>The opinion of Independent Director shall be taken into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors’ meeting.</u></p> | <p>Minor text amendment for legal process.</p>   |
| <p>6. Duration of loans and calculation of interest (without mentioning the</p>   | <p>6. Duration of loans and calculation of interest (without mentioning the</p>   | <p>Minor text amendment</p>  |

|  |   |  |
|--|---|--|
| <p>contents of Paragraph 1) The interest rate shall not be lower than the Company's highest short-term bank borrowing rate at the time of lending. The interests shall be calculated and paid on a monthly basis, except which shall be adjusted accordingly in any special case approved by over 1/2 members of the Audit Committee and ratified by the Board Meeting.</p>  | <p>contents of Paragraph 1) The interest rate shall not be lower than the Company's highest short-term bank borrowing rate at the time of lending. Loan interest shall be paid once a month; in special circumstances, however, interest payment interval can be adjusted as needed with the approval of the Board of Directors.</p>  | <p>for legal process.</p>                      |
| <p>8. Internal control:<br/>(The content of Paragraph 1 is omitted.)<br/>The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to each independent director in writing at once. If any major violation is detected, any manager and personnel in charge shall be disciplined according to the violation.<br/>If, as a result of a change in circumstances, an entity that the Company provides loans to no longer meets the requirements of the Procedures or the amount of loans exceeds the limit, modification plans shall be adopted and submitted to the Independent Director of the Audit Committee and complete refinement according to the timeframe set out in the plans to improve internal control of the Company.</p> | <p>8. Internal control:<br/>(The content of Paragraph 1 is omitted)<br/>The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to all Supervisors in writing at once. If any major violation is detected, any manager and personnel in charge shall be disciplined according to the violation.<br/>If, as a result of a change in circumstances, the amount of loans provided by the Company exceeds the limit, adjustment plans shall be adopted and submitted to the Independent Director of the Audit Committee and complete restructuring according to the timeframe set out in the plans to improve internal control of the Company.</p> | <p>Minor text amendment for legal process.</p> |
| <p>9. Disclosure of information:<br/>(1)~(4)(The content is omitted.)<br/>“Date of occurrence” means the date of contract signing, date of payment, dates of boards of director resolutions, or other date that can confirm the loaning of funds counterparty and monetary amount of the transaction, whichever date is earlier.</p>   | <p>9. Disclosure of information:<br/>(1)~(4)(The content is omitted.)<br/>The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.</p>  | <p>Minor text amendment for legal process.</p> |
| <p>10.<br/>(The content of Paragraph 1 is omitted)<br/>The subsidiary shall announce and report the balance, party, and term of loans made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when any loan meets standards regulated in Paragraph 2 of</p>   | <p>10.<br/>(The content of Paragraph 1 is omitted)<br/>The subsidiary shall announce and report the balance, party, and term of loans made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when any loan</p>  | <p>Minor text amendment for legal process.</p> |

|  |   |   |
|--|---|---|
| Procedure IX, it shall immediately inform the Company and make a statement and report.   | meets standards regulated in Paragraph 2 of Procedure IX, it shall immediately inform the Company and make announcement and report.   |   |
| <p>11.</p> <p>The Procedures will come into force after the approval of over 1/2 members of the Audit Committee and the Board of Directors, and submission to the shareholders' meeting for approval. Where any Director expresses dissent and where the unorthodox opinion are contained in the minutes or a written statement, the Company shall submit the disagreeing opinions to the Independent Director of Audit Committee and shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. This is approved by Paragraph (3) of Procedure V and <u>Paragraph 2 of Procedure VI</u>. The members of the so-called audit committee and the Board of Directors are those who are currently in office.</p> | <p>11.</p> <p>The Procedures will come into force after the approval of over 1/2 members of the Audit Committee and the Board of Directors, and submission to the shareholders' meeting for approval. Where any Director expresses dissent and the dissenting opinion is contained in the minutes or a written statement, the Company shall submit the disagreeing opinions to <u>the Independent Director of Audit Committee</u> and shareholders' meeting for discussion. <u>The same shall apply to any amendments to the Procedures. When the Procedures are submitted to the Board of Directors for discussion, it shall take into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for disagreement shall be included in the minutes of the Board of Directors' meeting.</u> If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. This is approved by Paragraph (3) of Procedure V. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> | Minor text amendment for legal process. |

Resolutions:

**Extempore Motion**

**Adjournment**

# Appendices

## Business Report

### (1) Implementation Result of 2018 Business Plan

The revenue of mother company totaled NTD3.27303 billion, a growth of 13.03% compared to that of NTD2.89581 billion in 2017. In 2018, the consolidated revenue of the Company was NTD7.58023 billion, a growth of 21.38% compared to that of NTD6.2448 billion in 2017. For this term, net profit after tax was NTD366.95 million, a growth of 19.72% compared to that of 306.49 million in 2017.

### (2) Comparison of Financial Revenue and Expenditure

#### (i) Comparison of Financial Revenue and Expenditure in 2018 and 2017 (mother company only)

Unit: NTD thousand; %

| Item                             | 2018      | 2017      | Increase (decrease) | Increase (decrease)<br>% |
|----------------------------------|-----------|-----------|---------------------|--------------------------|
| Operating revenue - net          | 3,273,028 | 2,895,813 | 377,215             | 13.03                    |
| Net gross margin                 | 802,994   | 661,183   | 141,811             | 21.44                    |
| Gross profit rate %              | 25%       | 23%       | 2                   | -                        |
| Operating expenses               | 519,866   | 455,465   | 64,401              | 14.14                    |
| Operating profit                 | 283,128   | 210,718   | 72,410              | 34.36                    |
| Non-operating income and expense | 149,479   | 135,873   | 13,606              | 10.01                    |
| Net profit before tax            | 432,607   | 346,591   | 86,016              | 24.82                    |
| After tax net profit             | 369,870   | 310,739   | 59,131              | 19.03                    |

#### (ii) Comparison of Consolidated Financial Revenue and Expenditure in 2018 and 2017(consolidated)

Unit: NTD thousand; %

| Item                             | 2018      | 2017      | Increase (decrease) | Increase (decrease)<br>% |
|----------------------------------|-----------|-----------|---------------------|--------------------------|
| Operating revenue - net          | 7,580,236 | 6,244,807 | 1,335,429           | 21.38                    |
| Net gross margin                 | 2,865,170 | 1,922,597 | 942,573             | 49.02                    |
| Gross profit rate %              | 37.80%    | 30.79%    | 7.01                | -                        |
| Operating expenses               | 2,528,728 | 1,645,296 | 883,432             | 53.69                    |
| Operating profit                 | 336,442   | 277,301   | 59,141              | 21.33                    |
| Non-operating income and expense | 114,046   | 88,762    | 25,284              | 28.49                    |
| Net profit before tax            | 450,488   | 366,063   | 84,425              | 23.06                    |
| After tax net profit             | 366,947   | 306,494   | 60,453              | 19.72                    |

(3) Budget implementation:

(i) Execution of the Consolidated Budget in 2018 (only mother company)

Unit: NTD thousand; %

| Item                  | Actual amount | Annual budget | Attainment % |
|-----------------------|---------------|---------------|--------------|
| Operating revenue     | 3,273,028     | 3,133,277     | 104.46       |
| Operating cost        | 2,462,946     | 2,377,873     | 103.58       |
| Gross profit          | 802,994       | 755,404       | 106.30       |
| Operating expenses    | 519,866       | 568,165       | 91.50        |
| Operating profit      | 283,128       | 187,239       | 151.21       |
| Net profit before tax | 432,607       | 398,158       | 108.65       |

(ii) Execution of the Consolidated Budget in 2018 (consolidated)

Unit: NTD thousand; %

| Item                  | Actual amount | Annual budget | Attainment % |
|-----------------------|---------------|---------------|--------------|
| Operating revenue     | 7,580,236     | 6,579,148     | 115.22       |
| Operating cost        | 4,715,066     | 4,359,113     | 108.17       |
| Gross profit          | 2,865,170     | 2,220,035     | 129.06       |
| Operating expenses    | 2,528,728     | 1,949,437     | 129.72       |
| Operating profit      | 336,442       | 270,598       | 124.33       |
| Net profit before tax | 450,488       | 385,189       | 116.95       |

(4) Analysis of Financial Revenue and Expenditure and Profitability in 2018:

I. Financial income and expense:

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

Unit: NTD thousand

| Item                  | Amount    |
|-----------------------|-----------|
| Operating revenue     | 3,273,028 |
| Gross profit          | 802,994   |
| Operating profit      | 283,128   |
| Interest revenue      | 5,081     |
| Interest expenses     | 35,043    |
| Net profit before tax | 432,607   |
| After tax net profit  | 369,870   |
| Earnings per share    | 1.24      |

(ii) Financial revenue and expenditure (Consolidated)

Unit: NTD thousand

| Item                  | Amount    |
|-----------------------|-----------|
| Operating revenue     | 7,580,236 |
| Gross profit          | 2,865,170 |
| Operating profit      | 336,442   |
| Interest revenue      | 28,368    |
| Interest expenses     | 37,651    |
| Net profit before tax | 450,488   |
| After tax net profit  | 366,947   |
| Earnings per share    | 1.24      |

2. Profitability analysis:

(i) Profitability analysis (Parent company only)

Unit: %

| Item   | Proportion |
|--|------------|
| ROA  | 4.38       |
| ROE  | 6.58       |
| Operating profit based on the percentage of paid-in capital ratio      | 9.50       |
| Net income before tax based on the percentage of paid-in capital ratio | 14.51      |
| Net profit rate  | 11.30      |
| Earnings per share   | 1.24       |
| Earnings per share - adjusted retrospectively                          | 1.24       |

(ii) Profitability analysis (Consolidated)

Unit: %

| Item   | Proportion |
|--|------------|
| ROA  | 3.77       |
| ROE  | 6.49       |
| Operating profit based on the percentage of paid-in capital ratio      | 11.29      |
| Net income before tax based on the percentage of paid-in capital ratio | 15.11      |
| Net profit rate  | 4.84       |
| Earnings per share   | 1.24       |
| Earnings per share - adjusted retrospectively                          | 1.24       |

(5) 2018 R&D Status:

1. 2018 R&D results are shown below:

- (i) Application of certification and registration of new products;  
5 human drug applications and 4 animal drug applications
- (ii) 6 permits of drugs permit receivers of new products and 5 permits of animal drug products;
- (ii) A drug use permit for the exporter;  
4 overseas human drug license applications and 2 certifications

2. Development of API Nanoized Drug 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. Development of Liposome Nanoized Drug Platform;

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

4. Establishment of Integrated Platform of 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 participation in new drug development and cooperation with the Industry, academia, and the research field for niche new drug R&D projects and among them, mTOR is now at Phase I clinical testing and the Development Center for Biotechnology will be entrusted for continuous development. New DPP4 Inhibitor of diabetes has been relicensed to CSPC in Shandong, China and has been completed with Phase II clinical testing in China.

(6) Future development strategy of the Company and the impact of external competition environment, regulation environment, and overall operational environment:

- (i) To respond to the adjustment of drug prices under the health insurance system and patent related issues, the Company in terms of management strategy speeds up the scale of sales

of self R&D drugs and makes all efforts to obtain patented drugs and the distributionship of generic drugs. At the same time, the Company enhances platform energy and scale to cultivate its hospital, clinic, and drugstore channels.

- (ii) The Company works with domestic and international partners to speed up development or introduction of special drugs such as those for rare diseases, cancers, and biologicals.
- (iii) The Company actively develops and introduces health insurance products at one's expense and to expand operational revenue of the market at one's expense. For overseas subsidiaries, the Company continuously expands its tertiary division and to speed up introduction of new products. To respond to the consistency of price evaluation policy, the priority is put on consistency evaluation and items passed consistency evaluation shall be used immediately for market expansion and penetration. Department of Public Relations of the Company shall have good command of governmental policies and encounter responsive measures.

Chairman:



Manager:



Accounting Supervisor





## Appendix 2

### Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18004224

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

### Audit opinions

We have audited the accompanying individual balance sheet of China Chemical & Pharmaceutical Co., Ltd. and subsidiary as of December 31, 2018 and 2017, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Chemical & Pharmaceutical Co., Ltd. as of December 31, 2018 and 2017, and the results of its operation and cash flows for the year then ended in conformity to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### The basis for opinions

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

### Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual statements of China Chemical & Pharmaceutical Co., Ltd. in 2018. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. in 2018 included:

### Refund Liability—estimated sales return

#### Description of the matter

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

#### Audit response

Our key audit procedures regarding the refund Liability—estimated sales return

recognized by certain subsidiaries (record investments using the equity method) held by CCPC are as follows:

1. Assess the accounting policy regarding the estimation of refund Liability—estimated sales return based on the understanding of the Group’s operation and the nature of its industry and historical sales return .
2. Sample the refund Liability—estimated sales return and verify them against the expected return rate to make sure they are consistent with the established policies.
3. After the verification period, the amount of the reversal and the documents, check the relevant supporting documents, and assess whether their sales return is appropriate.

## **Evaluation on inventory**

### Description of the matter

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

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

### Audit response

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

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

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

The companies invested in recorded using the equity method which have been included in the individual financial statements of CCPC are not audited by us, but are audited by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies included in the consolidated financial statements are based on the audit reports of other CPAs. The amounts of investments using the equity method for the aforementioned companies were NTD517,375 thousand and NTD480,002 thousand as of December 31, 2018 and 2017, respectively, which accounted for 5.57% and 5.41% of the total assets, respectively. The consolidated profit and loss recognized by the aforementioned companies were NTD44,462 thousand and NTD62,695 thousand for the year ending December 31, 2018 and 2017, respectively, which accounted for 14.41% and 21.77%, respectively, of the consolidated profit and loss.

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

The Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the “Regulations Governing the

Preparation of Financial Reports by Securities Issuers”, and for such internal control as the management determines is necessary to enable the preparation of the individual financial statements to be free from material misstatement whether due to fraud or error.

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in CCPC.

3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.

4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CCPC and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause CCPC to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the individual statements, including the disclosures, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with the Group to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the

audit of the Group.

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Chemical & Pharmaceutical Co., Ltd. of 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

PricewaterhouseCoopers, Taiwan  
March 26, 2019

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Taiwan, the Republic of China. For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

**China Chemical & Pharmaceutical Co., Ltd.**  
**Balance Sheets**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

| Assets |  | December 31, 2018   |            | December 31, 2017   |            |
|--------|--|---------------------|------------|---------------------|------------|
|        |  | Amount              | %          | Amount              | %          |
|        | Cash and Cash Equivalents  |                     |            |                     |            |
| 1100   | Notes Receivable   | \$ 41,013           | 1          | \$ 73,804           | 1          |
| 1150   | Notes Receivable – Related Parties   | 89,418              | 1          | 90,545              | 1          |
| 1160   | Accounts Receivable  | 131,447             | 1          | 158,535             | 2          |
| 1170   | Accounts Receivable – Related Parties  | 193,488             | 2          | 216,074             | 2          |
| 1180   | Other Receivables  | 1,077,073           | 12         | 853,643             | 10         |
| 1200   | Other Receivables –Related Parties   | 25,070              | -          | 26,255              | -          |
| 1210   | Cash and Cash Equivalents  | 190,990             | 2          | 182,678             | 2          |
| 130X   | Inventories  | 1,081,083           | 12         | 794,545             | 9          |
| 1470   | Other Assets- Current  | 40,624              | -          | 56,062              | 1          |
| 11XX   | <b>Total Current Assets</b>  | <b>2,870,206</b>    | <b>31</b>  | <b>2,452,141</b>    | <b>28</b>  |
|        | <b>Non-Current assets</b>  |                     |            |                     |            |
| 1517   | Financial assets measured at fair value through<br>other comprehensive income – Noncurrent | 275,623             | 3          | -                   | -          |
| 1523   | Available-for-sale Financial Assets- Noncurrent  | -                   | -          | 282,836             | 3          |
| 1543   | Financial Assets at Cost - Noncurrent  | -                   | -          | 30,710              | -          |
| 1550   | Long-term Investments at Equity  | 2,527,931           | 27         | 2,528,494           | 29         |
| 1600   | Property, Plant and Equipment  | 3,421,013           | 37         | 3,453,753           | 39         |
| 1780   | Intangible Assets  | 14,149              | -          | 12,949              | -          |
| 1840   | Deferred Tax Assets  | 103,514             | 1          | 78,772              | 1          |
| 1900   | Other Non-current Assets   | 73,678              | 1          | 33,159              | -          |
| 15XX   | <b>Total Non-Current Assets</b>  | <b>6,415,908</b>    | <b>69</b>  | <b>6,420,673</b>    | <b>72</b>  |
| 1XXX   | <b>Total Assets</b>  | <b>\$ 9,286,114</b> | <b>100</b> | <b>\$ 8,872,814</b> | <b>100</b> |

(Continue)

**China Chemical & Pharmaceutical Co., Ltd.**  
**Balance Sheets**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

| <b>Liabilities and Shareholders' Equity</b>    |                                      | <b>December 31, 2018</b> |            | <b>December 31, 2017</b> |            |
|--|--------------------------------------|--------------------------|------------|--------------------------|------------|
|  |                                      | <b>Amount</b>            | <b>%</b>   | <b>Amount</b>            | <b>%</b>   |
| <b>Current Liabilities</b>                     |                                      |                          |            |                          |            |
| 2100   | Short-term Borrowings                | \$ 916,001               | 10         | \$ 960,428               | 11         |
| 2130   | Contractual Liability – Current      | 1,499                    | -          | -                        | -          |
| 2170   | Accounts Payable                     | 319,549                  | 4          | 217,262                  | 3          |
| 2180   | Accounts Payable– Related Parties    | 30,873                   | -          | 18,331                   | -          |
| 2200   | Other Payables                       | 221,120                  | 2          | 186,097                  | 2          |
| 2230   | Current Income Tax Liabilities       | 59,312                   | 1          | 22,092                   | -          |
| 2300   | Other Current Liabilities            | 4,798                    | -          | 2,966                    | -          |
| 21XX   | <b>Total Non-Current Liabilities</b> | <b>1,553,152</b>         | <b>17</b>  | <b>1,407,176</b>         | <b>16</b>  |
| <b>Non-Current Liabilities</b>                 |                                      |                          |            |                          |            |
| 2540   | Long-term Borrowings                 | 1,828,000                | 20         | 1,679,000                | 19         |
| 2570   | Deferred Income Tax Liabilities      | 105,654                  | 1          | 93,020                   | 1          |
| 2600   | Other Non-Current Liabilities        | 128,750                  | 1          | 130,475                  | 1          |
| 25XX   | <b>Total Non-Current Liabilities</b> | <b>2,062,404</b>         | <b>22</b>  | <b>1,902,495</b>         | <b>21</b>  |
| 2XXX   | <b>Total Liabilities</b>             | <b>3,615,556</b>         | <b>39</b>  | <b>3,309,671</b>         | <b>37</b>  |
| <b>Equity Attributable to Owners of Parent</b> |                                      |                          |            |                          |            |
| <b>Share Capital</b>                           |                                      |                          |            |                          |            |
| 3110   | Ordinary Share                       | 2,980,811                | 32         | 2,980,811                | 34         |
| <b>Capital Surplus</b>                         |                                      |                          |            |                          |            |
| 3200   | Capital Surplus                      | 644,859                  | 7          | 644,659                  | 7          |
| <b>Retained Earnings</b>                       |                                      |                          |            |                          |            |
| 3310   | Legal Reserve                        | 459,993                  | 5          | 428,920                  | 5          |
| 3320   | Special Reserve                      | 188,958                  | 2          | 188,958                  | 2          |
| 3350   | Unappropriated Retained Earnings     | 1,451,784                | 16         | 1,319,885                | 15         |
| <b>Other Equity Interest</b>                   |                                      |                          |            |                          |            |
| 3400   | Other Interest                       | 27,793) (                | 1)         | 27,964                   | -          |
| 3500   | Treasury Stock                       | 28,054)                  | - (        | 28,054)                  | -          |
| 3XXX   | <b>Total Shareholders' Equity</b>    | <b>5,670,558</b>         | <b>61</b>  | <b>5,563,143</b>         | <b>63</b>  |
| 3X2X   | <b>Noncontrolling Interests</b>      | <b>\$ 9,286,114</b>      | <b>100</b> | <b>\$ 8,872,814</b>      | <b>100</b> |

**China Chemical & Pharmaceutical Co., Ltd.**  
**Statements Of Comprehensive Income**  
**January 1 to December 31, 2018 and 2017**

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

| Item  | December 31, 2018 | 2018  | December 31, 2017 | 2017  |
|---|-------------------|-------|-------------------|-------|
|   | Amount            | %     | Amount            | %     |
| 4000 <b>Operating Revenue</b>   | \$ 3,273,028      | 100   | \$ 2,895,813      | 100   |
| 5000 <b>Operating Costs</b>   | ( 2,462,946)      | ( 75) | ( 2,266,947)      | ( 78) |
| 5900 <b>Gross Profit from Operations</b>  | 810,082           | 25    | 628,866           | 22    |
| 5910 Unrealized Sale Gain   | ( 79,776)         | ( 2)  | ( 72,688)         | ( 3)  |
| 5920 Realized Sale Gain   | 72,688            | 2     | 110,005           | 4     |
| 5950 <b>Net Gross Profit from Operations</b>  | 802,994           | 25    | 666,183           | 23    |
| <b>Operating Expenses</b>   |                   |       |                   |       |
| 6100 Selling Expenses   | ( 105,747)        | ( 3)  | ( 89,384)         | ( 3)  |
| 6200 Administrative Expenses  | ( 151,726)        | ( 5)  | ( 119,575)        | ( 4)  |
| 6300 Research and Development Expenses  | ( 262,331)        | ( 8)  | ( 246,506)        | ( 9)  |
| 6450 Expected Credit Losses   | ( 62)             | -     | -                 | -     |
| 6000 <b>Total Operating Expenses</b>  | ( 519,866)        | ( 16) | ( 455,465)        | ( 16) |
| 6900 <b>Net Operating Income</b>  | 283,128           | 9     | 210,718           | 7     |
| <b>Non- Operating Income and Expenses</b>   |                   |       |                   |       |
| 7010 Other Revenue  | 38,099            | 1     | 37,433            | 1     |
| 7020 Other Gains and Losses   | 4,310             | -     | 1,528             | -     |
| 7050 Finance Cost   | ( 35,043)         | ( 1)  | ( 33,280)         | ( 1)  |
| 7070 Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method)  | 142,113           | 4     | 130,192           | 5     |
| 7000 <b>Total Non-operating Income and Expenses</b>   | 149,479           | 4     | 135,873           | 5     |
| 7900 <b>Income Before Income Tax</b>  | 432,607           | 13    | 346,591           | 12    |
| 7950 Income tax expense   | ( 62,737)         | ( 2)  | ( 35,852)         | ( 1)  |
| 8200 <b>Net Income</b>  | \$ 369,870        | 11    | \$ 310,739        | 11    |
| <b>Other Comprehensive Income that will be Reclassified to Profit or Loss</b>   |                   |       |                   |       |
| 8311 Defined Benefit Plans be Remeasured  | (\$ 17,168)       | ( 1)  | (\$ 8,837)        | -     |
| 8316 Unrealised Gains (Losses) on Financial assets measured at fair value through other comprehensive income                                      | ( 35,642)         | ( 1)  | -                 | -     |
| 8330 Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method                                       | ( 5,630)          | -     | 10,012            | -     |
| 8349 Defined Benefit Plans be Remeasured  | 5,340             | -     | 1,502             | -     |
| 8310 <b>Total Components of Other Comprehensive Income That will be not Reclassified to Profit or Loss</b>  | ( 53,100)         | ( 2)  | 2,677             | -     |
| <b>Defined Benefit Plans be Remeasured</b>  |                   |       |                   |       |
| 8361 <b>Total Components of Other Comprehensive Income That will be not Reclassified to Profit or Loss</b>  | ( 10,917)         | -     | ( 67,858)         | ( 2)  |
| 8362 Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets  | -                 | -     | 30,631            | 1     |
| 8380 Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit | ( 99)             | -     | 211               | -     |
| 8399 Income Tax Relating to Components of Other Comprehensive Income  | 2,851             | -     | 11,536            | -     |
| 8360 <b>Total Components of Other Comprehensive Income that will be Reclassified to Profit or Loss</b>  | ( 8,165)          | -     | ( 25,480)         | ( 1)  |
| 8300 <b>Other Comprehensive Income(Loss) After Tax</b>  | (\$ 61,265)       | ( 2)  | (\$ 22,803)       | ( 1)  |
| 8500 <b>Total Comprehensive Income</b>  | \$ 308,605        | 9     | \$ 287,936        | 10    |
| 9750 <b>Diluted Earnings Per Share</b>  | \$ 1.24           |       | \$ 1.05           |       |

**China Chemical & Pharmaceutical Co., Ltd.**  
**Statements Of Changes In Equity**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|  | C a p i t a l      |                                      | S u r p l u s                          |  | R e t a i n e d  |                    | E a r n i n g s                            | O t h e r  | E q u i t y  | I n t e r e s t   |                       |                    |
|--|--------------------|--------------------------------------|--|--|------------------|--------------------|--|--|--|---|-----------------------|--------------------|
|  | Ordinary Share     | Additio<br>nal<br>Paid-In<br>Capital | Treasur<br>y Stock<br>Transac<br>tions | change in<br>ownership<br>of a<br>subsidiary | Legal<br>Reserve | Special<br>Reserve | Unappro<br>priated<br>Retained<br>Earnings | Exchang<br>e<br>Differen<br>ces<br>on<br>Translat<br>ion | Unrealised<br>Gains<br>(Losses) on<br>Financial<br>assets<br>measured at<br>fair value<br>through<br>other<br>comprehensi<br>ve income | Unreali<br>zed<br>Gains<br>(Losses)<br>on<br>Availa<br>blefor-s<br>ale<br>Financi<br>al<br>Assets | Treasu<br>ry<br>Stock | Total              |
| <b>January 1st to December 31, 2017</b>  |                    |                                      |  |  |                  |                    |  |  |  |   |                       |                    |
| Equity at Beginning Of Period  | \$2,980,811        | \$578,416                            | \$ 64,580                              | \$ -   | \$397,599        | \$188,958          | \$1,216,639                                | (\$ 542)   | \$ -   | \$ 53,986   | (\$ 28,054)           | \$5,452,393        |
| Consolidated Profit for The Year Ended December 31, 2017                               | -                  | -                                    | -                                      | -  | -                | -                  | 310,739                                    | -  | -  | -   | -                     | 310,739            |
| Other Comprehensive Income   | -                  | -                                    | -                                      | -  | -                | -                  | 2,677                                      | ( 56,601)  | -  | 31,121  | -                     | ( 22,803 )         |
| Total Consolidated Profit for The Year Ended December 31, 2017                         | -                  | -                                    | -                                      | -  | -                | -                  | 313,416                                    | ( 56,601)  | -  | 31,121  | -                     | 287,936            |
| Appropriation and Distribution of Retained Earnings of 2016                            |                    |                                      |  |  |                  |                    |  |  |  |   |                       |                    |
| Legal Reserve  | -                  | -                                    | -                                      | -  | 31,321           | -                  | ( 31,321)                                  | -  | -  | -   | -                     | -                  |
| Cash Dividends   | -                  | -                                    | -                                      | -  | -                | -                  | ( 178,849)                                 | -  | -  | -   | ( 178,849 )           |                    |
| Subsidiaries Acquired Cash Dividend Payment of Parent Company                          | -                  | -                                    | 355                                    | -  | -                | -                  | -  | -  | -  | -   | -                     | 355                |
| Changes in Non-controlling Interests   | -                  | -                                    | -                                      | 1,308  | -                | -                  | -  | -  | -  | -   | -                     | 1,308              |
| <b>Balance, December 31, 2017</b>  | <b>\$2,980,811</b> | <b>\$578,416</b>                     | <b>\$ 64,935</b>                       | <b>\$ 1,308</b>                              | <b>\$428,920</b> | <b>\$188,958</b>   | <b>\$1,319,889</b>                         | <b>(\$ 57,143)</b>                                       | <b>\$ -</b>  | <b>\$ 85,107</b>  | <b>(\$ 28,054)</b>    | <b>\$5,563,143</b> |
| <b>January 1st to December 31, 2018</b>  |                    |                                      |  |  |                  |                    |  |  |  |   |                       |                    |
| Equity at Beginning Of Period  | \$2,980,811        | \$578,416                            | \$ 64,935                              | \$ 1,308                                     | \$428,920        | \$188,958          | \$1,319,889                                | (\$ 57,143)  | \$ -   | \$ 85,107   | (\$ 28,054)           | \$5,563,143        |
| Modified retroactive application effect  | -                  | -                                    | -                                      | -  | -                | -                  | ( 23,173)                                  | -  | 85,739   | ( 85,107)   | -                     | ( 22,541 )         |
| Rebalance after January 1  | 2,980,811          | 578,416                              | 64,935                                 | 1,308  | 428,920          | 188,958            | 1,296,712                                  | ( 57,143)  | 85,739   | -   | ( 28,054)             | 5,540,602          |
| Consolidated Profit for The Year Ended December 31, 2018                               | -                  | -                                    | -                                      | -  | -                | -                  | 369,870                                    | -  | -  | -   | -                     | 369,870            |
| Other Comprehensive Income   | -                  | -                                    | -                                      | -  | -                | -                  | ( 19,614)                                  | ( 8,165)   | ( 33,486)  | -   | -                     | ( 61,265 )         |
| Total Consolidated Profit for The Year Ended December 31, 2018                         | -                  | -                                    | -                                      | -  | -                | -                  | 350,256                                    | ( 8,165)   | ( 33,486)  | -   | -                     | 308,605            |
| Appropriation and Distribution of Retained Earnings of 2018                            |                    |                                      |  |  |                  |                    |  |  |  |   |                       |                    |
| Legal Reserve  | -                  | -                                    | -                                      | -  | 31,073           | -                  | ( 31,073)                                  | -  | -  | -   | -                     | -                  |
| Cash Dividends   | -                  | -                                    | -                                      | -  | -                | -                  | ( 178,849)                                 | -  | -  | -   | ( 178,849 )           |                    |
| Subsidiaries Acquired Cash Dividend Payment of Parent Company                          | -                  | -                                    | 356                                    | -  | -                | -                  | -  | -  | -  | -   | -                     | 356                |
| Changes in Interests for Subsidiaries  | -                  | -                                    | -                                      | ( 156)                                       | -                | -                  | -  | -  | -  | -   | ( 156 )               |                    |
| Disposal of Financial assets measured at fair value through other comprehensive income | -                  | -                                    | -                                      | -  | -                | -                  | 14,738                                     | -  | ( 14,738)  | -   | -                     | -                  |
| <b>Balance, December 31, 2018</b>  | <b>\$2,980,811</b> | <b>\$578,416</b>                     | <b>\$ 65,291</b>                       | <b>\$ 1,152</b>                              | <b>\$459,993</b> | <b>\$188,958</b>   | <b>\$1,451,784</b>                         | <b>(\$ 65,308)</b>                                       | <b>\$ 37,515</b>   | <b>\$ -</b>   | <b>(\$ 28,054)</b>    | <b>\$5,670,558</b> |



**China Chemical & Pharmaceutical Co., Ltd.**  
**Statements Of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|  | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| <b><u>Cash Flows From (Used in) Operating Activities</u></b>         |                          |                          |
| Profit (Loss) Before Tax   | \$ 432,607               | \$ 346,591               |
| Adjustments  |                          |                          |
| Unrealized Sale Gain   | ( 72,688 )               | ( 110,005 )              |
| Realized Sale Gain   | 79,776                   | 72,688                   |
| Depreciation expense   | 166,090                  | 171,335                  |
| Amortized Expense  | 3,553                    | 2,890                    |
| Bad Debts Recognized Revenue   | 62                       | ( 949 )                  |
| Interest Expense   | 35,043                   | 33,280                   |
| Interest Revenue   | ( 5,081 )                | ( 4,564 )                |
| Dividend Revenue   | ( 10,400 )               | ( 10,390 )               |
| Gain on Disposal of Property, Plant and Equipment                    | ( 937 )                  | ( 103 )                  |
| Share of Other Comprehensive Income of Associates and Joint Ventures |                          |                          |
| Accounted for Using Equity Method                                    | ( 142,113 )              | ( 130,192 )              |
| Notes Receivable (Include Related Parties)                           | ( 20,680 )               | ( 7,588 )                |
| Accounts Receivable (Include Related Parties)                        | ( 173,631 )              | ( 53,862 )               |
| Inventories  | ( 286,538 )              | ( 33,211 )               |
| Other Receivable   | 1,557                    | 119                      |
| Other Receivable - Related Parties                                   | ( 8,005 )                | 15,842                   |
| Other Assets- Current  | 15,438                   | ( 25,407 )               |
| Contractual Assets—Current   | 1,499                    | -                        |
| Accounts Payable   | 114,829                  | ( 24,256 )               |
| Other Payable  | 25,557                   | 6,941                    |
| Provision—Current  | -                        | ( 20,000 )               |
| Other Current Liabilities  | 1,832                    | 769                      |
| Decrease(Increase) in Net Defined Benefit Liability                  | ( 17,314 )               | ( 43,264 )               |
| <b>Cash Inflow (Outflow) Generated from Operations</b>               | <b>140,456</b>           | <b>186,664</b>           |
| Interest Received  | 5,760                    | 4,234                    |
| Interest Paid  | ( 33,738 )               | ( 33,724 )               |
| Income Taxes Paid  | ( 25,912 )               | -                        |
| Income Taxes Refund  | -                        | 3,202                    |
| Cash Dividends Received  | 128,109                  | 121,658                  |
| <b>Net Cash Flows from (used in) Operating Activities</b>            | <b>214,675</b>           | <b>282,034</b>           |

(Continue)

**China Chemical & Pharmaceutical Co., Ltd.**  
**Statements Of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|   | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| <b><u>Cash Flows From (Used in) Investing Activities</u></b>                              |                          |                          |
| Decrease(Increase) in Financing Receivable  | \$ -                     | \$ 2,090                 |
| Acquired of inancial assets measured at fair value through other<br>comprehensive income  | ( 24,554 )               | -                        |
| Disposal of Financial assets measured at fair value through other<br>comprehensive income | 27,466                   | -                        |
| Decrease(Increase) in Investment on Equity-Method   | ( 5,000 )                | ( 20,000 )               |
| Purchase of Property, Plant and Equipment   | ( 158,359 )              | ( 115,585 )              |
| Disposal of Property, Plant and Equipment   | 1,737                    | 304                      |
| Purchase of Intangible Assets   | ( 4,753 )                | ( 15,745 )               |
| Decrease(Increase) in Refundable Deposits   | 1,090                    | ( 705 )                  |
| Decrease(Increase) in Other Non-current Assets  | ( 9,239 )                | ( 4,281 )                |
| <b>Net Cash Flows From (Used in) Investing Activities</b>                                 | <b>( 171,612 )</b>       | <b>( 153,922 )</b>       |
| <b><u>Cash flows from (used in) Financing Activities</u></b>                              |                          |                          |
| Decrease(Increase) In Short-term Borrowings   | ( 44,427 )               | 9,814                    |
| Proceeds from Long-term Borrowings  | 847,000                  | 555,000                  |
| Repayment of Long-term Borrowings   | ( 698,000 )              | ( 516,000 )              |
| Decrease(Increase) in Guarantee Deposits Received   | ( 1,578 )                | 241                      |
| Dispense Cash Dividends   | ( 178,849 )              | ( 178,849 )              |
| <b>Net cash FlowsFrom (Used in) Financing Activities</b>                                  | <b>( 75,854 )</b>        | <b>( 129,794 )</b>       |
| Net Increase (Decrease) In Cash and Cash Equivalents                                      | ( 32,791 )               | ( 1,682 )                |
| Cash and Cash Equivalentents at Beginning of Period                                       | 73,804                   | 75,486                   |
| Cash and Cash Equivalentents at End of Period   | <u>\$ 41,013</u>         | <u>\$ 73,804</u>         |

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

## Audit opinions

We have audited the accompanying individual balance sheet of China Chemical & Pharmaceutical Co., Ltd. and subsidiary (hereafter referred as “the Group”) as of December 31, 2018 and 2017, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion, based our audit results and other CPAs' audit results (please refer to the paragraph on other matters), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years ended, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China.

## The basis for opinions

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

## Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of the Group in 2018. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of the Group in 2018 included:

### Refund Liability—estimated sales return

#### Description of the matter

For the accounting policy of the assessment of refund Liability—estimated sales return, please refer to Note 4(25) of consolidated financial report. For critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5(2) of consolidated financial report. For other relevant disclosures, please refer to Note 6(18) of consolidated financial report.

The Group’s recognition of refund Liability—estimated sales return is estimated based on historical sales. Because the estimate of refund Liability—estimated sales return is based on historical sales and has high estimation uncertainties, it was deemed to be a key audit matter.

#### Audit response

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

1. Assess the accounting policy regarding the estimation of refund Liability—estimated sales return based on the understanding of the Group’s operation and the nature of its industry and

- historical sales return .
2. Sample the refund Liability—estimated sales return and verify them against the expected return rate to make sure they are consistent with the established policies.
  3. After the verification period, the amount of the reversal and the documents, check the relevant supporting documents, and assess whether their sales return is appropriate.

## **Evaluation on inventory**

### Description of the matter

For the accounting policy of the assessment of inventory write-downs, please refer to Note 4(12) of consolidated financial report. For critical accounting judgments and key sources of estimation uncertainty please, refer to Note 5(2) of consolidated financial report. For other relevant disclosures, please refer to Note 6(3) of consolidated financial report.

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

### Audit response

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

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

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

The 2018 and 2017 financial statements of certain subsidiaries of CCPC were not audited by us, but by other CPAs. Therefore, in our opinion, the amounts referred to above regarding those companies and included in the consolidated financial statements and the relevant disclosures in Note 13 are based on the audit reports of other CPAs. The total assets of those subsidiaries were NTD195,482 thousand and NTD195,257 thousand as of December 31, 2018 and 2017, respectively, which accounted for 1.82% and 1.90% of the consolidated assets, respectively. The operating income was NTD118,248 thousand and NTD99,543 thousand for the year ending December 31, 2018 and 2017, respectively, which accounted for 1.56% and 1.59%, respectively, of the consolidated operating income. In addition, investments using the equity method by CCPC as of December 31, 2018 and 2017 and certain investment companies' information disclosed in Note 13 were evaluated and disclosed in the financial statements based on the audit performed by other CPAs appointed by the respective companies invested in. We did not audit those financial statements. The investments using the equity method were NTD444,623 thousand and NTD408,165 thousand as of December 31, 2018 and 2017, which accounted for 4.13% and 3.97% of the consolidated assets, respectively. The consolidated profits (including the share of affiliates and the profit or loss of joint ventures recognized by the equity method and the share of other comprehensive profit and loss) were NTD44,013 thousand and NTD62,596 thousand for the year ending December 31, 2018 and 2017, respectively, which accounted for 14.40% and 22.06%, respectively, of the combined profits.

## **Other matters – Individual Financial Report**

We have also audited the individual financial statements of the Group for 2018 and 2017, and

have expressed modified unqualified opinions add other Matters - Refer to the audits performed by other CPAs on such financial statements.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure, and content of the consolidated statements, including the disclosures, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with the Group to express an opinion on the consolidated financial statements.

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

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group of 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

PricewaterhouseCoopers, Taiwan  
March 26, 2019

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Taiwan, the Republic of China. For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Condensed Balance Sheets**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

| Assets                    |   | December 31, 2018    |            | December 31, 2017    |            |
|---------------------------|---|----------------------|------------|----------------------|------------|
|                           |   | Amount               | %          | Amount               | %          |
| <b>Current Assets</b>     |   |                      |            |                      |            |
| 1100                      | Cash and Cash Equivalents   | \$ 594,627           | 5          | \$ 763,684           | 7          |
| 1147                      | Current Investments in Debt Instrument Without Active Market                            | -                    | -          | 3,000                | -          |
| 1150                      | Notes Receivable  | 413,317              | 4          | 421,245              | 4          |
| 1160                      | Notes Receivable – Related Parties  | 131,447              | 1          | 158,535              | 2          |
| 1170                      | Accounts Receivable   | 1,523,865            | 14         | 1,311,771            | 13         |
| 1180                      | Accounts Receivable – Related Parties   | 56,725               | 1          | 47,264               | -          |
| 1200                      | Other Receivables   | 32,463               | -          | 31,766               | -          |
| 1210                      | Other Receivables –Related Parties  | 183,939              | 2          | 176,154              | 2          |
| 1220                      | Current Income Tax Assets   | 1,141                | -          | -                    | -          |
| 130X                      | Inventories   | 2,135,081            | 20         | 1,698,611            | 17         |
| 1476                      | Other Financial Assets- Current   | 28,632               | -          | 27,916               | -          |
| 1479                      | Other Assets- Current   | 74,538               | 1          | 83,486               | 1          |
| 11XX                      | <b>Total Current Assets</b>   | <u>5,175,775</u>     | <u>48</u>  | <u>4,723,432</u>     | <u>46</u>  |
| <b>Non-Current assets</b> |   |                      |            |                      |            |
| 1517                      | Financial assets measured at fair value through other comprehensive income – Noncurrent | 275,623              | 3          | -                    | -          |
| 1523                      | Available-for-sale Financial Assets- Noncurrent   | -                    | -          | 282,836              | 3          |
| 1543                      | Financial Assets at Cost - Noncurrent   | -                    | -          | 30,710               | -          |
| 1550                      | Long-term Investments at Equity   | 912,366              | 8          | 815,036              | 8          |
| 1600                      | Property, Plant and Equipment   | 3,948,268            | 37         | 4,042,123            | 39         |
| 1780                      | Intangible Assets   | 31,899               | -          | 32,369               | -          |
| 1840                      | Deferred Tax Assets   | 190,871              | 2          | 150,288              | 2          |
| 1900                      | Other Non-current Assets  | 231,500              | 2          | 199,769              | 2          |
| 15XX                      | <b>Total Non-Current Assets</b>   | <u>5,590,527</u>     | <u>52</u>  | <u>5,553,131</u>     | <u>54</u>  |
| 1XXX                      | <b>Total Assets</b>   | <u>\$ 10,766,302</u> | <u>100</u> | <u>\$ 10,276,563</u> | <u>100</u> |

(Continue)

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Condensed Balance Sheets**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

| <b>Liabilities and Shareholders' Equity</b>         |  | <b>December 31, 2018</b> |            | <b>December 31, 2017</b> |            |
|---|--|--------------------------|------------|--------------------------|------------|
|   |  | <b>Amount</b>            | <b>%</b>   | <b>Amount</b>            | <b>%</b>   |
| <b>Current Liabilities</b>                          |  |                          |            |                          |            |
| 2100  | Short-term Borrowings  | \$ 1,021,001             | 10         | \$ 1,080,428             | 10         |
| 2110  | Short-Term Notes and Bills Payable                             | 109,977                  | 1          | 92,671                   | 1          |
| 2130  | Contractual Liability—Current                                  | 54,390                   | 1          | -                        | -          |
| 2150  | Notes Payable  | 143,158                  | 1          | 127,891                  | 1          |
| 2170  | Accounts Payable   | 882,390                  | 8          | 708,721                  | 7          |
| 2200  | Other Payables   | 515,268                  | 5          | 444,592                  | 4          |
| 2230  | Current Income Tax Liabilities                                 | 74,511                   | 1          | 47,069                   | -          |
| 2250  | Short-term Provisions  | -                        | -          | 64,235                   | 1          |
| 2365  | Refund Liability—Current                                       | 47,585                   | -          | -                        | -          |
| 2399  | Other Current Liabilities                                      | 19,630                   | -          | 71,430                   | 1          |
| 21XX  | <b>Total Non-Current Liabilities</b>                           | <b>2,867,910</b>         | <b>27</b>  | <b>2,637,037</b>         | <b>25</b>  |
| <b>Non-Current Liabilities</b>                      |  |                          |            |                          |            |
| 2540  | Long-term Borrowings   | 1,828,000                | 17         | 1,679,000                | 16         |
| 2570  | Deferred Income Tax Liabilities                                | 127,993                  | 1          | 114,957                  | 1          |
| 2600  | Other Non-Current Liabilities                                  | 241,242                  | 2          | 241,874                  | 3          |
| 25XX  | <b>Total Non-Current Liabilities</b>                           | <b>2,197,235</b>         | <b>20</b>  | <b>2,035,831</b>         | <b>20</b>  |
| 2XXX  | <b>Total Liabilities</b>                                       | <b>5,065,145</b>         | <b>47</b>  | <b>4,672,868</b>         | <b>45</b>  |
| <b>Equity Attributable to Owners of Parent</b>      |  |                          |            |                          |            |
| <b>Share Capital</b>                                |  |                          |            |                          |            |
| 3110  | Ordinary Share   | 2,980,811                | 28         | 2,980,811                | 29         |
| <b>Capital Surplus</b>                              |  |                          |            |                          |            |
| 3200  | Capital Surplus  | 644,859                  | 6          | 644,659                  | 6          |
| <b>Retained Earnings</b>                            |  |                          |            |                          |            |
| 3310  | Legal Reserve  | 459,993                  | 4          | 428,920                  | 4          |
| 3320  | Special Reserve  | 188,958                  | 2          | 188,958                  | 2          |
| 3350  | Unappropriated Retained Earnings                               | 1,451,784                | 14         | 1,319,885                | 13         |
| <b>Other Equity Interest</b>                        |  |                          |            |                          |            |
| 3400  | Other Interest   | ( 27,793)                | ( 1)       | 27,964                   | -          |
| 3500  | Treasury Stock   | ( 28,054)                | -          | ( 28,054)                | -          |
| 31XX  | <b>Total Equity Attributable to Shareholders of the Parent</b> | <b>5,670,558</b>         | <b>53</b>  | <b>5,563,143</b>         | <b>54</b>  |
| 36XX  | <b>Noncontrolling Interests</b>                                | <b>30,599</b>            | <b>-</b>   | <b>40,552</b>            | <b>1</b>   |
| 3XXX  | <b>Total Shareholders' Equity</b>                              | <b>5,701,157</b>         | <b>53</b>  | <b>5,603,695</b>         | <b>55</b>  |
| <b>Total Liabilities &amp; Shareholders' Equity</b> |  |                          |            |                          |            |
| 3X2X  | <b>Noncontrolling Interests</b>                                | <b>\$ 10,766,302</b>     | <b>100</b> | <b>\$ 10,276,563</b>     | <b>100</b> |



**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Statements Of Comprehensive Income**  
**January 1 to December 31, 2018 and 2017**

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

| Item  | December 31, 2018   |              | December 31, 2017   |              |
|---|---------------------|--------------|---------------------|--------------|
|   | Amount              | %            | Amount              | %            |
| 4000 Operating Revenue                                      | \$ 7,580,236        | 100          | \$ 6,244,807        | 100          |
| 5000 Operating Costs  | ( 4,715,066)        | ( 62)        | ( 4,322,210)        | ( 69)        |
| 5950 <b>Gross Profit from Operations</b>                    | <u>2,865,170</u>    | <u>38</u>    | <u>1,922,597</u>    | <u>31</u>    |
| <b>Operating Expenses</b>                                   |                     |              |                     |              |
| 6100 Selling Expenses                                       | ( 1,889,407)        | ( 25)        | ( 1,108,541)        | ( 18)        |
| 6200 Administrative Expenses                                | ( 213,959)          | ( 3)         | ( 192,453)          | ( 3)         |
| 6300 Research and Development Expenses                      | ( 403,385)          | ( 6)         | ( 344,302)          | ( 5)         |
| 6450 Expected Credit Losses                                 | ( 21,977)           | -            | -                   | -            |
| 6000 <b>Total Operating Expenses</b>                        | <u>( 2,528,728)</u> | <u>( 34)</u> | <u>( 1,645,296)</u> | <u>( 26)</u> |
| 6900 <b>Net Operating Income</b>                            | <u>336,442</u>      | <u>4</u>     | <u>277,301</u>      | <u>5</u>     |
| <b>Non- Operating Income and Expenses</b>                   |                     |              |                     |              |
| 7010 Other Revenue  | 51,604              | 1            | 45,975              | 1            |
| 7020 Other Gains and Losses                                 | 5,290               | -            | ( 767)              | -            |
| 7050 Finance Cost   | ( 37,651)           | -            | ( 35,819)           | ( 1)         |
| 7060 Share of Profit or Loss of Associates & Joint Ventures |                     |              |                     |              |
| Accounted for Using Equity Method)                          | <u>94,803</u>       | <u>1</u>     | <u>79,373</u>       | <u>1</u>     |
| 7000 <b>Total Non-operating Income and Expenses</b>         | <u>114,046</u>      | <u>2</u>     | <u>88,762</u>       | <u>1</u>     |
| 7900 <b>Income Before Income Tax</b>                        | <u>450,488</u>      | <u>6</u>     | <u>366,063</u>      | <u>6</u>     |
| 7950 IncomeTax Expense                                      | ( 83,541)           | ( 1)         | ( 59,569)           | ( 1)         |
| 8200 <b>Net Income</b>                                      | <u>\$ 366,947</u>   | <u>5</u>     | <u>\$ 306,494</u>   | <u>5</u>     |

(Continue)

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Statements Of Comprehensive Income**  
**January 1 to December 31, 2018 and 2017**

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

| Item  | December 31, 2018 |      | December 31, 2017 |      |
|---|-------------------|------|-------------------|------|
|   | Amount            | %    | Amount            | %    |
| <b>Other Comprehensive Income that will be Reclassified to Profit or Loss</b>   |                   |      |                   |      |
| 8311 Defined Benefit Plans be Remeasured  | (\$ 29,622)       | -    | (\$ 83)           | -    |
| 8316 Unrealised Gains (Losses) on Financial assets measured at fair value through other comprehensive income                                      | ( 35,642)         | ( 1) | -                 | -    |
| 8320 Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method                                       | 3,647             | -    | 2,842             | -    |
| 8349 Income Tax not Related to Components of Other Comprehensive Income   | 8,549             | -    | 14                | -    |
| 8310 <b>Total Components of Other Comprehensive Income That Will be not Reclassified to Profit or Loss</b>  |                   |      |                   |      |
| <b>Components of Other Comprehensive Income That Will be Reclassified to Profit or Loss</b>   | ( 53,068)         | ( 1) | 2,773             | -    |
| 8361 Exchange Differences on Translation of Foreign Financial Statements  | ( 10,917)         | -    | ( 67,858)         | ( 1) |
| 8362 Unrealised Gains (Losses) on Valuation of Available-for-sale Financial Assets  | -                 | -    | 30,631            | 1    |
| 8370 Share of Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using Equity Method - Will be Reclassified to Profit | ( 99)             | -    | 211               | -    |
| 8399 Income Tax Relating to Components of Other Comprehensive Income  | 2,851             | -    | 11,536            | -    |
| 8360 <b>Total Components of Other Comprehensive Income That Will be Reclassified to Profit or Loss</b>  | ( 8,165)          | -    | ( 25,480)         | -    |
| 8300 <b>Total Net Comprehensive Profit(Loss) After Tax</b>  | (\$ 61,233)       | ( 1) | (\$ 22,707)       | -    |
| 8500 <b>Total Comprehensive Income</b>  | \$ 305,714        | 4    | \$ 283,787        | 5    |
| <b>Net Income (Losses) Attributable to:</b>   |                   |      |                   |      |
| 8610 Shareholders of the Parent   | \$ 369,870        | 5    | \$ 310,739        | 5    |
| 8620 Noncontrolling Interests   | (\$ 2,923)        | -    | (\$ 4,245)        | -    |
| <b>Comprehensive Income Attributable to:</b>  |                   |      |                   |      |
| 8710 Shareholders of the Parent   | \$ 308,605        | 4    | \$ 287,936        | 5    |
| 8720 Noncontrolling Interests   | (\$ 2,891)        | -    | (\$ 4,149)        | -    |
| <b>Earnings per Share</b>   |                   |      |                   |      |
| 9750 <b>Diluted Earnings Per Share</b>  | \$ 1.24           |      | \$ 1.05           |      |

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|  | T o t a l      E q u i t y      A t t r i b u t a b l e      t o      O w n e r s      o f      P a r e n t |                             |                               |                                       |               |                 |                                   |  |            |   |  |                 |           |                            |              |
|--|---|-----------------------------|-------------------------------|---------------------------------------|---------------|-----------------|-----------------------------------|--|------------|---|--|-----------------|-----------|----------------------------|--------------|
|  | Capital   |                             | Surplus                       | R e t a i n e d                       |               | E a r n i n g s | Other                             | Equity                                 | Interest   |   |  |                 |           |                            |              |
|  |   |                             |                               |                                       |               |                 |                                   |  |            | Unrealised Gains (Losses) on Financial assets measured at fair value through other comprehensive income | Unrealized Gains(Losses)on Availablef or-sale Financial Assets | Treasur y Stock | Total     | Non-con trolling Interests | Total Equity |
|  | Ordinary Share  | Addition al Paid-In Capital | Treasur y Stock Transac tions | change in owners hip of a subsidi ary | Legal Reserve | Special Reserve | Unappropri ated Retained Earnings | Exchang e Differenc es on Translati on |            |   |  |                 |           |                            |              |
| January 1st to December 31, 2017   |   |                             |                               |                                       |               |                 |                                   |  |            |   |  |                 |           |                            |              |
| Equity at Beginning Of Period  | \$ 2,980,811  | \$ 578,416                  | \$ 64,580                     | \$ -                                  | \$ 397,599    | \$ 188,958      | \$ 1,216,639                      | (\$ 542 )                              | \$ -       | \$ 53,986   | (\$ 28,054 )   | \$ 5,452,393    | \$ 45,932 | \$ 5,498,325               |              |
| Consolidated Profit for The Year Ended December 31, 2017                               | -   | -                           | -                             | -                                     | -             | -               | 310,739                           | -                                      | -          | -   | -  | 310,739         | ( 4,245 ) | 306,494                    |              |
| Other Comprehensive Income   | -   | -                           | -                             | -                                     | -             | -               | 2,677                             | ( 56,601 )                             | -          | 31,121  | -  | ( 22,803 )      | 96        | ( 22,707 )                 |              |
| Total Consolidated Profit for The Year Ended December 31, 2017                         | -   | -                           | -                             | -                                     | -             | -               | 313,416                           | ( 56,601 )                             | -          | 31,121  | -  | 287,936         | ( 4,149 ) | 283,787                    |              |
| Appropriation and Distribution of Retained Earnings of 2016                            |   |                             |                               |                                       |               |                 |                                   |  |            |   |  |                 |           |                            |              |
| Legal Reserve  | -   | -                           | -                             | -                                     | 31,321        | -               | ( 31,321 )                        | -                                      | -          | -   | -  | -               | -         | -                          |              |
| Cash Dividends   | -   | -                           | -                             | -                                     | -             | -               | ( 178,849 )                       | -                                      | -          | -   | -  | ( 178,849 )     | -         | ( 178,849 )                |              |
| Subsidiaries Acquired Cash Dividend Payment of Parent Company                          | -   | -                           | 355                           | -                                     | -             | -               | -                                 | -                                      | -          | -   | -  | 355             | -         | 355                        |              |
| Changes in Interests for Subsidiaries  | -   | -                           | -                             | 1,308                                 | -             | -               | -                                 | -                                      | -          | -   | -  | 1,308           | -         | 1,308                      |              |
| Changes in Non-controlling Interests   | -   | -                           | -                             | -                                     | -             | -               | -                                 | -                                      | -          | -   | -  | -               | ( 1,231 ) | ( 1,231 )                  |              |
| Balance,December 31, 2017  | \$ 2,980,811  | \$ 578,416                  | \$ 64,935                     | \$ 1,308                              | \$ 428,920    | \$ 188,958      | \$ 1,319,885                      | (\$ 57,143 )                           | \$ -       | \$ 85,107   | (\$ 28,054 )   | \$ 5,563,143    | \$ 40,552 | \$ 5,603,695               |              |
| January 1st to December 31, 2018   |   |                             |                               |                                       |               |                 |                                   |  |            |   |  |                 |           |                            |              |
| Equity at Beginning Of Period  | \$ 2,980,811  | \$ 578,416                  | \$ 64,935                     | \$ 1,308                              | \$ 428,920    | \$ 188,958      | \$ 1,319,885                      | (\$ 57,143 )                           | \$ -       | \$ 85,107   | (\$ 28,054 )   | \$ 5,563,143    | \$ 40,552 | \$ 5,603,695               |              |
| Modified retroactive application effect  | -   | -                           | -                             | -                                     | -             | -               | ( 23,173 )                        | -                                      | 85,739     | ( 85,107 )  | -  | ( 22,541 )      | -         | ( 22,541 )                 |              |
| Rebalance after January 1  | 2,980,811   | 578,416                     | 64,935                        | 1,308                                 | 428,920       | 188,958         | 1,296,712                         | ( 57,143 )                             | 85,739     | -   | ( 28,054 )   | 5,540,602       | 40,552    | 5,581,154                  |              |
| Consolidated Profit for The Year Ended December 31, 2018                               | -   | -                           | -                             | -                                     | -             | -               | 369,870                           | -                                      | -          | -   | -  | 369,870         | ( 2,923 ) | 366,947                    |              |
| Other Comprehensive Income   | -   | -                           | -                             | -                                     | -             | -               | ( 19,614 )                        | ( 8,165 )                              | ( 33,486 ) | -   | -  | ( 61,265 )      | 32        | ( 61,233 )                 |              |
| Total Consolidated Profit for The Year Ended December 31, 2018                         | -   | -                           | -                             | -                                     | -             | -               | 350,256                           | ( 8,165 )                              | ( 33,486 ) | -   | -  | 308,605         | ( 2,891 ) | 305,714                    |              |
| Appropriation and Distribution of Retained Earnings of 2017                            |   |                             |                               |                                       |               |                 |                                   |  |            |   |  |                 |           |                            |              |
| Legal Reserve  | -   | -                           | -                             | -                                     | 31,073        | -               | ( 31,073 )                        | -                                      | -          | -   | -  | -               | -         | -                          |              |
| Cash Dividends   | -   | -                           | -                             | -                                     | -             | -               | ( 178,849 )                       | -                                      | -          | -   | -  | ( 178,849 )     | -         | ( 178,849 )                |              |
| Subsidiaries Acquired Cash Dividend Payment of Parent Company                          | -   | -                           | 356                           | -                                     | -             | -               | -                                 | -                                      | -          | -   | -  | 356             | -         | 356                        |              |
| Changes in Interests for Subsidiaries  | -   | -                           | -                             | ( 156 )                               | -             | -               | -                                 | -                                      | -          | -   | -  | ( 156 )         | -         | ( 156 )                    |              |
| Changes in Non-controlling Interests   | -   | -                           | -                             | -                                     | -             | -               | -                                 | -                                      | -          | -   | -  | -               | ( 7,062 ) | ( 7,062 )                  |              |
| Disposal of Financial assets measured at fair value through other comprehensive income | -   | -                           | -                             | -                                     | -             | -               | 14,738                            | -                                      | ( 14,738 ) | -   | -  | -               | -         | -                          |              |
| Balance,December 31, 2018  | \$ 2,980,811  | \$ 578,416                  | \$ 65,291                     | \$ 1,152                              | \$ 459,993    | \$ 188,958      | \$ 1,451,784                      | (\$ 65,308 )                           | \$ 37,515  | \$ -  | (\$ 28,054 )   | \$ 5,670,558    | \$ 30,599 | \$ 5,701,157               |              |

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Statements Of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|  | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| <b><u>Cash Flows From (Used in) Operating Activities</u></b> |                          |                          |
| Profit (Loss) Before Tax                                     | \$ 450,488               | \$ 366,063               |
| Depreciation expense   | 246,283                  | 247,713                  |
| Amortized Expense  | 9,604                    | 6,859                    |
| Expected Credit Losses                                       | 21,977                   | 1,678                    |
| Decrease in Allowance for Sales Returns and Allowances       | ( 11,218 )               | 11,122                   |
| Interest Expense   | 37,651                   | 35,819                   |
| Interest Revenue   | ( 28,368 )               | ( 21,408 )               |
| Dividend Revenue   | ( 10,400 )               | ( 10,390 )               |
| Share of gain (loss) of Associates and Joint Ventures        |                          |                          |
| Accounted for Using Equity Method                            | ( 870 )                  | ( 921 )                  |
| Gain on Disposal of Property, Plant and Equipment            | ( 94,803 )               | ( 79,373 )               |
| Notes Receivable (Include Related Parties)                   | 35,016                   | ( 15,831 )               |
| Accounts Receivable (Include Related Parties)                | ( 256,609 )              | ( 177,258 )              |
| Other Receivable (Include Related Parties)                   | 2,919                    | 6,001                    |
| Inventories  | ( 447,307 )              | ( 104,943 )              |
| Other Assets- Current  | 8,513                    | ( 22,551 )               |
| Contractual Liability – Current                              | ( 219 )                  | -                        |
| Notes Payable  | 15,267                   | 47,762                   |
| Accounts Payable   | 164,248                  | 59,521                   |
| Other Payable  | 67,592                   | 87,558                   |
| Short-term Provision   | ( 29,000 )               | ( 3,880 )                |
| Refund Liability – Current                                   | 15,060                   | -                        |
| Other Current Liabilities                                    | 99                       | 8,236                    |
| Other Non-Current Liabilities                                | ( 24,667 )               | ( 32,863 )               |
| <b>Cash Inflow (Outflow) Generated from Operations</b>       | <b>171,256</b>           | <b>408,914</b>           |
| Interest Received  | 27,433                   | 20,827                   |
| Interest Paid  | ( 38,232 )               | ( 36,283 )               |
| Income Taxes Paid  | ( 69,697 )               | ( 20,753 )               |
| Cash Dividends Received                                      | 62,166                   | 89,600                   |
| <b>Net Cash Flows from (used in) Operating Activities</b>    | <b>152,926</b>           | <b>462,305</b>           |

(Continue)

**China Chemical & Pharmaceutical Co., Ltd. And Subsidiaries**  
**Consolidated Statements Of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

Unit : NT\$ Thousands

|  | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| <b><u>Cash Flows From (Used in) Investing Activities</u></b>                           |                          |                          |
| Decrease(Increase) in Financing Receivable   | \$ -                     | \$ 2,090                 |
| Disposal of Current Investments in Debt Instrument Without Active Market               | -                        | 9,000                    |
| Decrease(Increase) in Pledged Deposit  | 3,000                    | -                        |
| <b><u>Cash Flows From (Used in) Investing Activities</u></b>                           | ( 716 )                  | ( 11,444 )               |
| Acquired of inancial assets measured at fair value through other comprehensive income  | ( 24,554 )               | -                        |
| Disposal of Financial assets measured at fair value through other comprehensive income | 27,466                   | -                        |
| Purchase of Property, Plant and Equipment  | ( 207,713 )              | ( 134,371 )              |
| Disposal of Property, Plant and Equipment  | 1,741                    | 2,915                    |
| Purchase of Intangible Assets  | ( 9,229 )                | ( 27,293 )               |
| Decrease(Increase) in Refundable Deposits  | 6,283                    | ( 18,751 )               |
| Decrease(Increase) in Investment on Equity-Method                                      | ( 37,593 )               | -                        |
| Decrease(Increase) in Other Non-current Assets   | 7,016                    | ( 8,762 )                |
| Acquisition of Subsidiaries (Deduct the cash received)                                 | ( 7,458 )                | -                        |
| <b>Net Cash Flows From (Used in) Investing Activities</b>                              | <u>( 241,757 )</u>       | <u>( 186,616 )</u>       |
| <b><u>Cash flows from (used in) Financing Activities</u></b>                           |                          |                          |
| Decrease(Increase) In Short-term Borrowings  | ( 59,427 )               | 19,808                   |
| Decrease(Increase) in Short-term Notes and Bills Payable                               | 17,306                   | ( 23,300 )               |
| Proceeds from Long-term Borrowings   | 847,000                  | 555,000                  |
| Repayment of Long-term Borrowings  | ( 698,000 )              | ( 516,000 )              |
| Decrease(Increase) in Guarantee Deposits Received                                      | ( 1,277 )                | 16,662                   |
| Assigned Cash Dividends  | ( 178,849 )              | ( 178,849 )              |
| Non-controlling Interests change   | 2,070                    | ( 2,064 )                |
| <b>Net cash FlowsFrom (Used in) Financing Activities</b>                               | <u>( 71,177 )</u>        | <u>( 128,743 )</u>       |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents                           | ( 9,049 )                | ( 12,008 )               |
| <b>Net Increase (Decrease) In Cash and Cash Equivalents</b>                            | ( 169,057 )              | 134,938                  |
| <b>Cash and Cash Equivalents at Beginning of Period</b>                                | <u>763,684</u>           | <u>628,746</u>           |
| <b>Cash and Cash Equivalents at End of Period</b>                                      | <u>\$ 594,627</u>        | <u>\$ 763,684</u>        |

## Appendix 3

China Chemical & Pharmaceutical Co., Ltd.

Disposition of net profit 2018



Unit: NTD

| Item   | Amount        |
|--|---------------|
| Net Profit after Tax in 2018   | 369,870,045   |
| Less: recognition of legal reserve   | (36,987,005)  |
| Plus: Unappropriated retained earnings at end of the term  | 1,109,962,084 |
| Less: 2018 Prior Adjustment of Retained Earnings   | (28,049,470)  |
| Distributable earnings for the 2018  | 1,414,795,654 |
| Less: Shareholders' Bonus (Cash bonus of NTD 0.8 per share)  | (238,464,864) |
| Closing undistributed earnings   | 1,176,330,790 |
| This distribution of cash bonus will be rounded up to one dollar. The amount of distribution less than one dollar will be listed as other income of the Company. |               |

Chairman:



Manager:



Accounting Supervisor:



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

Chapter 1 - General Principles

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

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

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

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

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

Article 5: The Company is located in Taipei. Where necessary, branch offices and plants may be

established throughout Taiwan and overseas. The establishment and cancellation of the said branches shall be resolved by the Board of Directors.

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

## Chapter 2 - Shares

Article 7: The total capital amount of the Company shall be 5 billion NTD (NT\$5,000,000,000), divided into 0.5 billion (500,000,000) shares, with a par value of ten NTD (NT\$10) per share. The unreleased shares are authorized to be issued by the board of directors according to the needs of the company's operation

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

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

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

## Chapter 3 - Shareholders' meeting

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

- A. Annual shareholders' meetings shall be convened by the Board of Directors within 6 months after the end of every fiscal year.
- B. Provisional shareholders' meetings shall be convened when necessary according to law.

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

Article 13: For resolutions of the shareholders' meeting, unless otherwise specified by the Company Act,



the meeting must be attended by shareholders who represent at least one-half of the total number of shares, and shall be passed by at least half of the voting rights exercised by the shareholders present at the meeting.

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

Article 14: Where a shareholder is unable to attend a shareholders' meeting, he or she may authorize a proxy to attend in his or her stead. However, a proxy letter granting the power of attorney to the proxy must be printed and issued by the Company must be submitted 5 days prior to the date of the shareholders' meeting, and the said letter must clearly state the scope of authorization and be furnished with a signature or seal. Each shareholder may issue one power of attorney form and grant the power of attorney to one individual.

With the exception of trust enterprises or an agency approved by a competent authority of securities to handle share-related affairs, where a person acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3 percent of the total voting power of the distributed shares, and any excessive portion of the voting power shall not be counted. Where multiple proxy letters were received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous proxy letter is made in the letter received later.

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

Where the shareholders' meeting is convened by a person having the convening right who is not a member of the Board of Directors, the chairperson of the meeting shall be the said person having the convening right. Where there are two or more persons having the convening right, the chairperson of the meeting shall be elected from the said persons. The shareholders' meeting shall be implemented according to the rules governing the proceedings of meetings of the Company.

Article 16: Resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting,

which shall bear the signature or seal of the chairperson of the meeting. The meeting minutes shall be issued to all shareholders within 20 days after the closure of the meeting. The generation and distribution of meeting minutes may be performed digitally.

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

#### Chapter 4 - Board of Directors and Audit Committee

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

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

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

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

Article 20: The remuneration of the chairman, vice-chairman and directors shall be authorized to be agreed upon by the board of directors according to the extent of their participation in the operation of the company and the value of their contribution, as well as taking into account the usual level of the same profession.

Article 21: The Company may purchase liability insurance for all directors within their term of office for liability claims defined by law while exercising their duties within the prescribed scope

to reduce and distribute risks of serious damage caused to the Company or its shareholders as a result of the mistakes or negligence on a director.

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

1. Convene the shareholders' meeting and resolve on relevant matters.
2. Review and finalize business directives, research and design production plans, and audit job progresses.
3. Review and finalize revisions to key chapters and sections and approvals to termination thereof.
4. Audit budgets and finalized statements, and business reports, and propose earnings distribution plans.
5. Review and finalize revisions of material contracts and approvals to termination thereof.
6. Approve the internal organization of branch offices and the establishment, expansion, reduction, and changes thereof.
7. Determine the appointment, discharge, promotion, or re-assignment of key personnel, and approve regulations governing bonuses, penalties, resignation, and pensions of said personnel.
8. Propose and discuss increases or decreases in capital and partnerships in external investments.
9. Resolve upon cases assigned by the Chairperson.
10. Review and resolve upon cases proposed by the General Manager.
11. Exercise other duties and authorities as defined by other laws or granted by the Board of Shareholders.

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

Article 24: The Board of Directors is organized by the directors. The Chairman of the board of directors shall be elected from among the directors by majority of the directors present at a meeting attended by more than two thirds of the directors. And depending on business needs, the vice Chairman of the Board of Directors may also be elected in the same way as the Chairman's election. The chairman shall preside over all business on behalf of the company.

Article 25: The chairman of the board of directors shall internally preside at the meeting of the board

of directors and shall externally represent the company. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case the vice chairman is also on leave or is absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the board of directors.

A director who is unable to attend in person may appoint another director to attend the meeting in his or her behalf in accordance with this Corporation's articles of incorporation. A director who appoints another director to attend a board meeting shall issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting and entrusted other directors to represent him. A director's proxy may act as a proxy for only one other director.

Article 26: Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

#### Chapter 5 - Employees

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

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

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

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

#### Chapter 6 - Calculating the earnings distribution

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

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

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

Article 32-1: The Company is engaged in an industry with a volatile environment in a phase of steady growth of corporate life cycles. Considering future capital requirements and long-term financial planning of the Company, and to satisfy the shareholders' need for cash inflow, the Company shall distribute any surplus available after each annual final statement in the following priority:

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

#### Chapter 7 - Supplementary Provisions

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

Article 34: These Articles of Incorporation was stipulated on February 8, 1952. The 1st revision was made on November 1, 1953..., the 45th revision was made on May 27, 2016. With the exception of old articles of articles 23, 23-1, 23-2, and 24 prior to the 44th revision and Articles 17, 18, 23, 31, and 32 changed in this revision, which will enter into force after the 23rd Board of Directors, the remaining articles shall enter into force after the shareholders' meeting , The 46th amendment was made on November 14, 2018, and shall come into effect after the adoption of the provisional meeting of shareholders.

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

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

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

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

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

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

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

Election or dismissal of directors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of

Securities by Securities Issuers shall be set out in the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances provided in any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

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

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

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

A shareholder may issue only one proxy letter and appoint only one individual as the proxy for any given shareholders' meeting, and shall deliver the proxy letter to the Company 5 days before the date of the shareholders' meeting. Where multiple proxy letters were received from one shareholder, the first one received by the Company shall prevail. However, if an explicit statement to revoke the previous proxy letter is made in the letter received later, this restriction shall not apply.

After a proxy letter has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice to cancel the proxy letter shall be submitted to the Company before 2 days before the

date of the shareholders' meeting. If the notice of cancellation is submitted after that time, votes cast at the meeting by the authorized proxy shall prevail.

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

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

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

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

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

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

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson. When the Chairperson is on leave or for any reason unable to exercise the powers of the Chairperson, the Vice Chairperson shall act in place of the Chairperson; if there is no Vice Chairperson or the Vice Chairperson also is on leave or for any reason unable to exercise the powers of the Vice Chairperson, the Chairperson shall appoint one of the Managing Directors to act as the chair. Where no Managing Director has been appointed, one of the directors shall be appointed to act as the chair. Where the Chairperson has not made such an appointment, the Managing Directors or the directors shall select from among themselves one person to serve as the chair.

It is advisable for a shareholders' meeting convened by the Board of Directors to be chaired, in person, by the Chairperson and attended by a majority of the directors; at least one member from each of the functional committees shall also attend the said meeting on behalf



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

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

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

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

The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement of the meeting, provided that no more than two such postponements, for a combined length of no more than an hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chairperson shall declare the meeting adjourned.

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

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda,

which may not be changed without a resolution of the shareholders' meeting.

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

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

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

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance number), and account name. The order of sequence for the shareholders' speech shall be determined by the chairperson.

An attending shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject specified on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If a shareholder's speech violates the rules or exceeds the scope of the proposal, the chairperson may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder who has the floor; the chairperson shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chairperson may respond in person or

appoint some relevant personnel to respond.

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

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

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

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders. With the exception of trust enterprises or an agency approved by a competent authority of securities to handle share-related affairs, where a person acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3 percent of the total voting power of the distributed shares, and any excessive portion of the voting power shall not be counted.

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

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

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

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

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised shall be, by the same means by which the voting rights were exercised, made known to the Company 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. Where a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

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

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

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

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

Article 14: An election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results

shall be announced on-site immediately, including the names of those elected as directors and the affirmative voting rights by which they were elected. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one (1) year. If a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the period of the custody shall last until the conclusion of the litigation.

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

Article 16: On the day of a shareholders' meeting, this Corporation shall compile in a prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall provide a clear disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under regulations of Taiwan Stock Exchange Corporation (or Taipei Exchange), the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

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

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

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

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

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

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

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

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

## Appendix 6

### Asset Acquisition and Disposal Procedures of China Chemical & Pharmaceutical Co., Ltd

Approved by the Shareholders' Meeting on May 26<sup>th</sup>, 2017

- Article 1: The Asset Acquisition and Disposal Procedures (the Procedures) set forth herein serve as the guidelines for the Company to acquire or dispose assets.
- Article 2: These procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- Article 3: The scope of assets defined in the Guidelines is as follows:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities and asset-backed securities.
  2. Real property (including land, houses and buildings, investment property and construction enterprise inventory) and equipment.
  3. Memberships.
  4. Patents, copyrights, trademarks, franchise rights and other intangible assets.
  5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  6. Derivatives: refers to the forward contracts, options contracts, futures contracts, leveraged margin contracts, swaps contracts, and the compound contracts of the instruments referred to above with the values derived from assets, interest rate, exchange rate, index, or other interests. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchases (sales) contracts.
  7. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Paragraph 8 of Article 156 of the Company Act.
  8. Other major assets.
- Article 4: With respect to valuation reports obtained and opinions issued by certified public accountants, lawyers or securities underwriters, the professional valuers, certified public accountants, lawyers, or securities underwriters shall not be related to transaction counterparties in any way.
- Article 5: The Company and its subsidiaries may individually purchase the total amount of real estate or marketable securities not for business use and may invest in individual marketable securities as follows:
- The Company:
1. The total amount of real estate used for non-operations shall not exceed 20% the net worth of the Company.
  2. The total amount of investment in short-term, long term securities shall not exceed 70% the net worth of the Company.
  3. The amount to invest in any single security shall not exceed 10% the net worth of the Company.
- For each subsidiary:
1. The total amount of real estate not for business use shall not exceed 10% of the company's net value.
  2. The total amount of investment in long-term and short-term securities shall not exceed 70% of the net value of the company.
  3. The limits of investment in individual securities shall not exceed 30% of the net value of the company.
- Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

Net worth referred by the Procedures is owner's equity of mother company on recent balance sheet compiled according to the preparation principle of financial statement regulated by security issuers.

Article 6: Appraisal and Work Procedure for Acquisition or Disposal of Assets

1. Acquisition or disposal of securities
  - (1) For acquisition or disposal of securities from secondary market or operating securities, the responsible unit shall submit items related to the cause, target, price reference, and evaluation of rationality to the competent authority.
  - (2) For acquisition or disposal of securities not from secondary market or operating securities, the accountable element shall submit items related to the cause, target, related trading party, transfer price, payment condition, price reference, and evaluation of rationality to the competent authority.
2. For acquisition or disposal of other assets, the responsible unit shall submit items related to the cause, target, related trading party, transfer price, payment condition, price reference, and evaluation of rationality to the competent authority.
3. The acquisition or disposal of the asset is to be processed in accordance with the relevant provisions of the Company's internal control system.

Article 7: Procedure for Determining Conditions of Transaction:

1. Determination method and reference basis for acquisition or disposal of asset price:
  - (1) Acquisition or disposal of securities:
    1. When securities are traded at secondary market or operating securities, prices shall be determined by the market price of securities.
    2. If securities acquired or disposed are not from secondary market or operating securities, prices shall be determined by referring to net value per share, profitability, future development potential and reference of transaction price at that time.
  - (2) When real estate or equipment is acquired or disposed, prices shall be decided through comparison, negotiation, tendering or other methods:
2. Acquisition or disposal of assets shall be decided by the authority and responsibility unit within the scope of its authorization:
  - (1) Acquisition or disposal of securities:
    1. For acquisition or disposal of long-term securities investment at the amount or daily transaction amount less than NTD 30 million, the President shall have the right to ratify while the amount exceeds NTD 30 million, the case shall be submitted to the Audit Committee with the approve over 1/2 members and later, it shall be sent to the Board of Directors' meeting for ratification.
    2. For acquisition or disposal of long-term securities investment at the amount or daily transaction amount less than NTD 30 million, the President shall have the right to approve while the amount exceeds NTD 30 million, the case shall be submitted to the Audit Committee with the approve over 1/2 members and later, it shall be sent to the Board of Directors' meeting for ratification.
  - (2) Acquisition or disposition of real estate and equipment
    1. When acquiring or disposing real estate at the amount less than NTD 50 million the President shall have the right to ratify while the amount exceeds NTD 50 million, the case shall be submitted to the Audit Committee with the approve over 1/2 members and later, it shall be sent to the Board of Directors' meeting for approval.
    2. Those who acquire or dispose of equipment with the amount of NT\$30 millions or less shall submit it to the Chairman for approval. If the amount exceeds NT\$30 millions they shall also them submit to the Audit Committee for approval by more than one-half of all the members and only after the approval of the Board of Directors submitted to the board of directors for approval.



Article 8:

If the company acquires or disposes of assets, it shall, according to the types of assets, appoint experts to submit reports in accordance with the following provisions.

1. In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches 20% of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use.
  - (1) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.
  - (2) Where the transaction amount is NT\$1 Billion or more, appraisals from two or more professional appraisers shall be obtained.
  - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Standard of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
    1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
    2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
  - (4) Where a professional valuation is used, the valuer's report shall be dated no further than 3 months from the contract date. However, if it is subject to the announced present value of the same period and that is not more than six months away, an opinion can be issued by the original appraiser.
2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, if the securities are publicly quoted in the market or meets the following requirements, the company may not obtain financial statements and consult the accountant for opinions.
  - (1) In accordance with the Company Act initiated the establishment or collection of the establishment of cash capital to obtain securities, and to obtain the recognition of securities rights and the proportion of capital contribution is equivalent.
  - (2) Securities are acquired by subscribing to a cash issue at face value, and that the cash issue has been organized by the securities issuer in compliance with law.
  - (3) Securities are acquired by subscribing to a cash issue organized by the Company's 100%-owned investee.
  - (4) The security in question is traded over the Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), or the Emerging Stock Market.
  - (5) The security in question is a government bond or a repurchase/resale agreement.
  - (6) Domestic and foreign public offering fund.
  - (7) The acquisition or disposal involves TWSE or TPEX-listed shares, and the

transaction is completed according to Taiwan Stock Exchange Corporation/Taipei Exchange Rules Governing Purchase of Listed Securities by Reverse Auction or Rules Governing Auction of Listed Securities by Consignment.

- (8) To participate in a public offering company's cash replenishment recognition unit or to subscribe for a corporate debt (including financial bonds), and made of non-marketable securities is a privately placed securities in Taiwan.
  - (9) According to Article 11-1 of Securities Investment Trust and Consulting Act, prior to consummation of the private placement, when acquiring or disposing domestic funds, a securities investment trust enterprise shall state in the trust contract about the investment strategies of securities transaction and investment in relevant securities products not charged off and the rest of the investment scope shall be the same as the requirement for investment in public offering of funds.
3. For the Company's acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.
  4. The Company's acquisition or disposal of membership card or intangible assets for an amount exceeding 20% of the paid-in capital or NTD300 million, except for transactions with government agencies, should have a CPA contracted to express an opinion on the reasonableness of the price prior to the date of the event. The CPA should have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation.

Article 8-1: Transaction amounts stated in Paragraph 1, 2, 4 of the previous article shall be complied with Article 13-2 and the time referring as within one year shall be calculated to the future one year from the basis on the date when transaction occurs. Those complying with the Procedures to obtain professional appraisal or the opinion of a certified accountant shall be exempt from the calculation of days.

Article 9: Related Party Transactions:

1. The company, when acquiring or disposing of its assets with a related party, shall not only adhere to article 8, article 8-1 and the provision-specified relevant resolution procedure, evaluating transaction term rationality and related matters, and if the transaction amount reaches 10% or higher of the company's total assets, it shall also adhere to the preceding section's stipulations to obtain a professional appraiser issued appraisal report or a CPA's opinion. The calculation of the transaction amount referred to above should be processed in accordance with Article 8-1. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.
2. The company, when acquiring or disposing of real estate with related parties, or acquiring or disposing of other assets beyond real estate, with the transaction amount reaching 20% of the company's paid-in capitalization, 10% of the total assets or at three hundred million NTD or higher, except for trading government bonds, provisional buyback, sellback bonds, pledging or buying back domestic securities investment trust enterprises issued monetary market funds, shall present the below data to the audit committee for the consent by over one-half of the entire members, and also present it to the management board for motioning in favor, before the transaction contract may be signed and the funds dispensed:
  - (1) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
  - (2) The reasons for selecting the related party as the counterparty.
  - (3) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, 4, 5 and 6 of this Article.
  - (4) The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.
  - (5) Expected monthly cash income and expense statement within one year from the

contracted month, and assessing the necessity of the transactions and the reasonableness of the funds application

(6) Obtain an appraisal report issued by a professional appraiser in accordance with the provisions referred to above or a CPA's opinion.

(7) The restrictions and other important stipulations of the transaction.

The transaction amount referred to above is calculated in accordance with Article 13 Paragraph 2, and the so-called within one year is the year prior to the date of the event; also, the portion that has been submitted under the Procedures to the Board of Directors and Audit Committee for approval needs not be included for calculation.

The board of directors may authorize the chairman of the board of directors, in accordance with Paragraph 2 of Article 7, to make a decision on the acquisition or disposal of equipment for business use between the company and its parent Company or subsidiaries, within a certain amount, and then report the transaction to the latest audit committee with the approval of more than one-half of the members, and then submit to the latest board of directors for their ratification.

When reported to the Board for discussion in accordance with Paragraph 2 of this Article, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.

3. Acquiring real estate from a related party shall have the rationality of the transaction cost evaluated by the below listed methods (when purchasing a property's land and building combined, any of the below methods may be used to evaluate the transaction cost separately on the land and building):

(1) Based on the related party transaction price plus the necessary capital interest and the cost of the buyer The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.

(2) If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.

4. The cost of the real estate acquired by the Company from the related party should be assessed in accordance the provision referred to above; also, a CPA should be commissioned to review and express an opinion.

5. The first two provisions shall be exempted from the acquisition of real estate from the related parties in one of the following circumstances, but they shall still be handled in accordance with the Paragraph 2:

(1) The related party acquired the real property thereof through inheritance or as a gift.

(2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.

(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

6. The acquisition of real estate from the related party shall be handled in accordance with Paragraph 7 if the results evaluated in Paragraph 3 of this Article are lower than the transaction price. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:

(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:

1. The prime land is assessed in accordance with the methods referred to above.

House is assessed in accordance with the sum of the construction costs and a

reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.

2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.
3. The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.
- (2) The Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.
- (3) The alleged “successful trade” in the neighborhood referred to (1), (2) for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real estate.
7. To acquire real estate or its right to use assets from a related party and, if the results of the Paragraph 3, 4, 5 and 6 of this Article are assessed to be lower than the transaction price, the following matters shall be dealt with:
  - (1) A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. When setting aside a special reserve under the preceding paragraph, the Company shall not disburse the special reserve until the value of assets purchased at a higher price has been recognized as a loss for devaluation or disposed of, or appropriate compensation has been made; or restoration as is is completed; or other evidence confirms their fairness, with the approval of Financial Supervisory Commission.
  - (2) The independent director members of the audit committee shall have it handled in accordance with Article 218 of the Company Act.
  - (3) The results of handling according to the (1), (2) shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.

The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with (1), (2), (3) referred to above.

Article 10: Acquisition or disposal of membership cards or intangible assets or claims of financial institutions.

1. A acquisition or disposal of membership certificate or intangible asset where the amount is up to NTD 15 million, shall be declared for the chairman’s approval, and those exceeding NTD 15 million also need to declare separately with audit committee for the consent of over one-half of the entire members, and also declared for motioning before the management board in favor before it may proceed
2. The company principally does not engage in derivative product transactions, and when desiring to engage in derivative product trading thereafter, it shall be presented to the audit committee on the whole will present it to the management board for

approval before formulating an evaluation and the operating procedure.

Article 11: Engaging in derivative product transactions:

The company principally does not engage in derivative product transactions and when desiring to engage in derivative product trading thereafter, it shall be presented to the audit committee for the consent by over one-half of the entire members on the whole will present it to the management board for approval before formulating an evaluation and operating procedure.

Article 12: Corporate merger, spins-off, acquisition, and assignment of shares

1. The company, when processing merger, subdivision, buyout, share selloff, shall retain a CPA, legal counsel or securities underwriter to express whose opinion in the rationality of the share swap by percentage, buyout price or shareholders' cash distribution or other assets, which is presented to the audit committee for the consent by over one-half of the entire members and also present it to the management board for discussion and motioning in favor. The opinion from the experts on rationality as mentioned could be waived for the merger between the company and a subsidiary where the company directly or indirectly holds 100% of its stake or total capital, or between subsidiaries where the company directly or indirectly holds 100% of their stake or total capital.
2. A public document to shareholders detailing important contractual content and matters relevant to the merger, demerger or acquisition shall be prepared prior to the shareholders' meeting and be included along with the expert opinion under the previous paragraph and notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger or acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement. Either party, when unable to convene a shareholders' meeting, to vote on resolutions due to a lack of quorum or for other legal restrictions, or if the resolution proposals were vetoed by the shareholders, it shall promptly convene an open presentation to explain the cause why it occurred, the subsequent processing work and the expectant date for convening the shareholders' meeting.
3. All individuals participated or privy of the company's merger, subdivision, buyout or share selloff plans, shall issue a written confidentiality promissory note and before the information is made public, may not divulge the contents of the plan to the outside, nor may trade on their own or using another person's name in trading company stocks and other marketable securities with equity nature owned by relevant companies involved in the merger, subdivision, buyout or share selloff.
4. The share swap by percentage or the buyout price, except when under the circumstances below, may bypass any willful change, and shall also define changeable circumstances defined in the merger, subdivision, buyout or share selloff contract:
  - (1) Process cash capital increase and issue convertible bonds, stock dividends, bonds with stock option, preferred shares with stock option, stock options certificate, and other equity-type securities.
  - (2) Disposal of major assets that affects the Company's financial operations
  - (3) The occurrence of significant disasters and major changes in technology that affects the Company's shareholders' equity or securities price.
  - (4) The adjustment of treasury stock repurchased lawfully by any company that participates in the merger, spins-off, acquisition, or assignment of shares.
  - (5) Changes in the entity or number of companies involved in the merger, spins-off, acquisition, or assignment of shares.
  - (6) The other conditions for tolerable changes are defined in the contract and have been publicly disclosed.
5. When participating in a merger, subdivision, buyout or share selloff, the contract shall specify clearly the relevant entitlements and obligations, and shall also state clearly the matters below:
  - (1) Event of default.

- (2) The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger
  - (3) The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.
  - (4) The process for the changes in the entity and the number of companies involved.
  - (5) The expected progress of the project and the schedule of completion.
  - (6) The process of convening a shareholders' meeting when the project is not completed on time.
6. After public disclosure of the information, if any company participating in the merger, demerger, acquisition or share transfer intends further to carry out a merger, demerger, acquisition or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition or share transfer, except where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, may be exempted from calling another shareholders' meeting to resolve the matter anew.
  7. For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with paragraph 3, paragraph 6, and paragraph 10 of this article.
  8. For the merger, spins-off, or acquisition of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting and the shareholders' meeting should be convened in the same day to resolve the matters related to the corporate merger, spins-off, and acquisition. For the assignment of shares of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting should be convened in the same day. For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the following information should be composed in writing and reserved for five years for inspection:
    - (1) Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.
    - (2) Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.
    - (3) Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.
  9. For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the Company should have the information stated in Paragraph 1 and Paragraph 2 in the Section referred to above reported on-line to the FSC for records in the designated format within 2 days after the resolution reached by the Board of Directors.
  10. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions in paragraph 8 and paragraph 9.

Article 13: Information Disclosure Procedures:

1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed

format:

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party with a transaction amount that reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.
  - (2) Process merger, spins-off, acquisition, or assignment of shares.
  - (3) Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.
  - (4) The acquisition or disposal of assets that are operating equipment and the counterparty is not a related party; also, the trade amount does not exceed NT\$500 million.
  - (5) Real estate is acquired by means of self-construction, rental land construction, co-construction and sub-housing, co-construction and co-construction and sub-sale, if the transaction amount is over NT\$500 million (based on the estimated investment amount of the company).
  - (6) The assets trade, financial institution's disposal of claims or the investments engaged in Mainland China other than the transactions stated in the five paragraphs referred to above are for an amount exceeding 20% of the paid-in capital or NTD300 million. However, the following conditions are not subject to this restriction:
    1. Bond trade.
    2. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises
2. The transaction amount referred to above is calculated in accordance with the following methods.
- (1) The amount of any individual transaction.
  - (2) The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;
  - (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property assets thereof within the same development project within the preceding year.
  - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.
- The so-called "factual occurrence date" refers in principle to the date on which the transaction is signed, the payment date, the commissioned by the closing date, the transfer date, the resolution date of the board of directors or other sufficient capital to determine the date of the transaction amount of the transaction object and subject (to what, whichever is earlier). For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.
3. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in accordance with the prescribed format before the 10<sup>th</sup> day of each month.
  4. When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.
  5. The Company should have the contract, minutes of meeting, book, appraisal reports,

the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company's premise for at least 5 years unless otherwise provided by law.

6. The company, when encountering one of the following circumstances on announced, declared transactions per the regulations, shall file for an announcement and declaration of relevant information on the FSC-specified information declaration website, within two days from the very day that the fact occurs.
  - (1) The originally signed trade contract is modified, terminated, or revoked.
  - (2) Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.
  - (3) The initially announced declaration content has been changed.

Article 14: Other matters

1. The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 13 on behalf of the non-public subsidiary. The announcement or reporting standard for subsidiary shall be 20% of the paid-in capital or 10% of the total assets, whichever is the company's paid-in capital or total assets.

The requirement of 10% of the total assets is based on the total assets in the latest proprietary or independent financial statements governed by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

If the shares of the company are non-denomination or denomination per share is not NT \$10, this Article and Article 8, 9 and 13 which stipulates the transaction amount of 20% of the paid-in capital shall be calculated on the basis of 10% of the owner's rights and interests of the parent company.
2. The company, in acquiring or disposing of assets of a re-invested subsidiary, shall adhere to the procedure stipulations to formulate a "Regulations Governing The Acquisition And Disposal Of Assets," which upon going through the motions of the subsidiary's management board, is to have a copy forwarded to the various auditors and also declared before the shareholders' meeting seeking for consent and the same also applies to an amendment. The company, or its subsidiaries, shall monitor the circumstances of its acquisition or disposal of assets, where the supervision and management shall be sought per the stipulations set forth under the company's relevant regulations and various subsidiaries' "Regulations Governing The Acquisition And Disposal Of Assets."
3. If relevant personnel should breach the processing procedure and its relevant legal/regulatory stipulations, the company may, depending on the severity, issue a warning, demerit, demotion, suspension, pay reduction or other penalty actions and which is also retained as part of the internal review matters.
4. The portion of matters not explicitly stated in the procedure shall be sought per the relevant laws and regulations and pertinent company chapters and regulations. If the competent government authorities amend the initially issued directive on the Criteria for Processing the Acquisition or Disposal of Assets, the company shall comply with the new directive's regulations.
5. This procedure shall be formulated or amended with the consent of more than one-half of all the members of the audit committee and shall be implemented after the adoption of the resolution of the Board of Directors and the consent of the shareholders' meeting. Where Directors may have adverse opinions on record or in written declaration, the Company shall refer to the independent directors of Audit Committee. When reported to the Board for discussion, should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.
6. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The processing procedure's Paragraph 2 of Article 7, Paragraph 2 of Article 9, Paragraph



- 4, Article 10, Article 11, Paragraph 1 of Article 12 may be commensurate.
7. The terms "all audit committee members" in Paragraph 6 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

# China Chemical & Pharmaceutical Co., Ltd.

## Endorsement guarantee operating procedures

Approved by the Shareholders' Meeting on May 26<sup>th</sup>, 2017

### I. Objectives

To step up the endorsement guarantee's financial management and lower the operating risk, the procedure has been formulated in accordance with the Securities Transaction law Article 36-1 and stipulations set forth under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies." The company rendering endorsement guarantee process for others shall be sought per the stipulations set forth under the operating procedure.

### II. Scope of application

The endorsement guarantees the operating procedure referred to encompasses:

#### 1. Financing endorsements/guarantees:

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

2. Customs duty endorsement/guarantee: Meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

3. Other endorsements/guarantees: Meaning endorsements or guarantees beyond the scope of the above two paragraphs.

The company, in rendering liquid asset or real estate as a guarantee for other companies' loans by designating the title lien, mortgage lien and the like, shall also be sought per the operating procedures.

### III. Endorsement guarantee subjects

The company may render endorsement guarantees to the companies listed below:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 5% of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

The companies with over 90% shareholding held by the Company, directly and indirectly, may have endorsement and guarantee made with the Company for an amount not more than 10% net worth of the Public Company. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

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

The term capital contribution mentioned in the preceding section refers to the company capital contribution the company makes directly or through a specific company where it holds 100% of the voting rights.

### IV. The amount of endorsement guarantee

The total amount of the Company's endorsement guarantees shall not exceed 50% of the Company's latest net value of financial statements checked or audited by an accountant, and the amount of the endorsement guarantees for a single enterprise shall not exceed 30% of the Company's latest net value of financial statements checked or audited by an accountant. The total amount of endorsement guarantees for the company and its subsidiaries as a whole shall not exceed 50% of the company's latest net value of financial statements checked by an accountant, and the amount of endorsement guarantees for a single enterprise shall not exceed 30% of the company's latest net value of financial statements checked or audited by an accountant. For a company with business dealings with the company, the amount of individual endorsement guarantees shall not exceed the amount of its purchase or sale in the latest year or up to the endorsement guarantees in the current year, which is higher. If the total amount of endorsement guaranteed by the Company and its subsidiaries as a whole amounts to more than 50% of the company's latest net value of financial statements checked or audited by an accountant, the necessity and reasonableness of the endorsement shall be explained in the shareholders' meeting.

The term net valuation referred to in the procedure pertains to the balance sheet specified by the Criteria for Compiling Financial Statements by Securities Issuers that are below to its parent company's owner's equity.

#### V. Level of decision and authorization

1. When making endorsements/ guarantees, the Company shall follow the Procedures regulated by Point VI and report to the Audit Committee for the approval of more than 1/2 committee members before submitting to the Board of Directors' meeting for ratification. But in consideration of time, when the total amount of endorsements/guarantees do not exceed 50% and the total value of endorsements and guarantees to a single entity is limited to 30% of the Net Worth, provided that the conditions set forth in the Point IV are complied with, the Board of Directors shall have the right to authorize the President to make the decision first and afterwards, report to the Audit Committee for the approval of more than 1/2 committee members and then submit to the Board of Directors' meeting for ratification.
2. If due to the need of operation, the total amount of endorsements/guarantees exceeds the limitation regulated in Point IV, the approval of more than 1/2 members of Audit Committee is required before submitting to the Board of Directors for ratification; over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits before making endorsements/guarantees. The Procedures should be amended accordingly and the amendment should be submitted at the shareholders' meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
3. Before making endorsements/guarantees for a company in which the Company directly or indirectly holds more than 90% of the voting shares according to Point II, the Company shall report to the Audit Committee for approval of over half of all members before submitting the Board of Directors' meeting for ratification. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

When the Company makes endorsements / guarantees for others, it shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

#### VI. Procedures for Endorsements and Guarantees

1. When processing an endorsement guarantee, the finance unit shall adhere to the endorsement guarantee subject's application by reviewing its qualifications item by item and if the line of credit meets the operating procedure's stipulations and whether or not it reaches the announcement declaration criteria threshold and shall also analyze the endorsement guarantee subject's operations, finances and credit standing and the like, by which to evaluate the endorsement guarantee risks and to document the date, together with obtaining the collateral where deemed necessary. A report clearly describing the relevant endorsement guarantee

content, reason and risk assessment findings is signed and presented to the chairman for approval. It is also submitted to the audit committee for the approval of over one-half of the entire members, before submitting it to the management board for discussion and consent before it proceeds. If it still falls within the specified line of credit, then the chairman is to proceed to approve it per the endorsement guarantee subject's credit standing level and financial status, and retro-actively declare with the most recent period's audit committee meeting seeking for a post-humous consent by over one-half of the entire members, before it is presented before the most recent period's board meeting seeking for posthumous recognition.

2. The finance unit shall instill a verification log on endorsement guarantee matters. An endorsement guarantee, once accepted by the management board or approved by the chairman, is not only to apply for sealing per the specified procedure, but it shall also have the promissory guarantee matter, name of the guaranteed enterprise, risk assessment finding, endorsement guarantee amount, management board's motioning or chairman's ruling date, endorsement guarantee date, content of the collateral obtained, endorsement guarantee liability cancellation terms and date and the like in detail pending verification. Any relevant checks, agreements and related documents shall also be photocopied and kept secure.
3. The finance unit shall compile a detailed schedule monthly on canceled guarantee matters that occurred, to facilitate control follow-up and processing the announcement declaration, and shall also evaluate and classify whether or not any losses arising from quarterly endorsement guarantees and also disclose the endorsement guarantee information in the financial statements and supply relevant information to the auditing CPA.
4. If, as a result of a change in circumstances, an entity for which an endorsements/guarantee is made no longer meets the requirements of Point III or the amount of endorsements/guarantee exceeds the limit or its current net value audited by the account or shown on financial states is less than 1/2 of paid-in capital, the amount of endorsements/guarantees or the excessive amount shall be cancelled when the term of agreement terminates or the Finance Department shall adopt modification plans and submit the rectification plans to the President to cancel the endorsements/guarantees within a given time and shall submit relevant approval plans to the Independent Director of the Audit Committee and complete rectification according to the timeframe set out in the plans. If an endorsement guarantee subject is of one of the subsidiaries whose net valuation is lower than one-half of its paid-in capitalization and where the subsidiary's stocks have no par value or the par value per share is other than NTD 10, the paid-in capitalization amount as calculated per the preceding Paragraph 4 stipulations shall heed to the sum of the capitalization plus the capital reserve – issuing premium.
5. Before the endorsement guarantee date expires, the finance unit shall voluntarily notify the guaranteed enterprise to recall the guarantee check retained at the bank or the debt claim institution, and also cancel endorsement guarantee-related contracts.

## VII. Internal control

1. The internal auditors of the Company shall conduct audit on the procedure for undertaking endorsements/guarantees and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to each independent director in writing at once.
2. The company shall process its endorsement guarantee per the specified procedure and when coming across critical breach of the regulations, shall penalize the manager and spearheading personnel depending on the violation circumstances.

## VIII. Endorsement seal safekeeping and procedure

1. The company shall utilize the company endorsement seal applied and registered with the Ministry of Economic Affairs as the endorsement guarantee's dedicated endorsement seal and said seal shall be placed for safekeeping and endorsement application by the persons designated by the management board.
2. Once an endorsement guarantee is ruled upon by management board or approved by the

chairman, the finance unit shall enter it into the “endorsement seal usage logbook,” which along with the approval records, the endorsement guarantee contract or guarantee check and the like of the endorsed documents are approved by the financial executive, before the documents may be affixed with the endorsement seal kept at the designated person’s office.

3. The endorsement seal administrator when applying the endorsement seal, shall verify whether or not there are approval records and whether or not the “endorsement seal usage log book” has been approved by the financial executive and whether or not the application seal document coincides, before who may affix the seal. After applying the seal, it shall be noted in the endorsement seal usage logbook.
4. When rendering a guarantee for a foreign company, the guarantee letter that the company issues is signed and endorsed by the chairman or the president as authorized by the management board.

#### IX. Reporting procedures

1. Prior to the tenth of every month, the finance unit shall upload the company and its subsidiaries’ previous month’s endorsement guarantee balance onto the FSC-specified information declaration website.
2. In addition to the monthly announcement of the balance of endorse/guarantees, when the amount of endorsements/guarantees of the Company and its subsidiary meet one of the standards below, the Finance Department shall make an announcement and affirmation within two days after the fact occurs:
  - (1) When the company and its subsidiaries’ total endorsement guarantee reaches 50% or more of the net valuation of the company’s most recent period’s CPA-audited or -reviewed financial statements.
  - (2) When the company and its subsidiaries’ endorsement guarantee amount granted to a single enterprise reaches 20% or more the net valuation of the company’s most recent period’s CPA-audited or -reviewed financial statements.
  - (3) The balance of endorsements/ guarantees by the Company and its subsidiaries for an individual enterprise is more than NTD 10 million or the aggregate amount of all endorsements / guarantees for long-term nature of investments in and balance of loans to such enterprise reaches 30% of the Company’s net value as certified by the accountant or stated in its latest financial report.
  - (4) When the company or its subsidiaries’ newly increased endorsement guarantee amount reaches NTD 30 million and also reaching five percent or more of the net valuation of the company’s most recent period’s CPA-audited or -reviewed financial statements.

If the company subsidiary does not belong to a domestic publicly-listed company, where said subsidiary having had mandated an announcement declaration matter as specified under the preceding Paragraph 4, the company shall do so.

The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.

#### X. Other matters

1. The company and its subsidiaries shall formulate an “endorsement Guarantee Operating Procedure” by adhering to the procedures and stipulations set forth under “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” which upon review by the subsidiaries’ management boards, is to be distributed to various auditors and also declared before the shareholders’ meeting seeking for its consent, and the same also applies to all subsequent amendments. A subsidiary, when planning to render endorsement or guarantee for others, shall have it processed by adhering to the stipulations set forth under said subsidiary’s endorsement guarantee operating procedure. The company shall monitor the circumstances in which a subsidiary renders an endorsement

guarantee for others, where the supervision and management shall be sought in accordance with the relevant company regulations and various subsidiaries' "endorsement guarantee operating procedure" stipulations.

The subsidiary shall announce and report the balance, party, and term of endorsements/guarantees made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when endorsements/guarantees meets standards regulated in Paragraph 2 of Procedure IX, it shall immediately inform the Company and make an announcement and declaration.

2. In each operating year, the company and its subsidiaries' endorsement guarantee processing status and relevant matters shall be declared before the following year's shareholders' meeting pending verification.
3. The portion of matters not explicitly stated in the procedure shall be sought per the relevant legal/regulatory stipulations and pertinent company chapters and regulations.
4. The operating procedure's formulation shall undergo the consent by over one-half of the entire members of the audit committee, and also declared with the management board for resolution voting, before declaring it before the shareholders' meeting seeking for consent before it is implemented, and if any director expresses any objections and which has also been documented or in a written statement, the company shall summarize the contested data and forward it to the audit committee and declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments. When the Procedures are submitted to the Board of Directors for discussion, it shall take into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for disagreement shall be included in the minutes of the Board of Directors' meeting.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. It is approved by Paragraph 1, 2, and 3 of Procedure V and Paragraph 1 of Procedure VI. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## China Chemical & Pharmaceutical Co., Ltd. Operational Procedures for Loaning Funds to Others

Approved by the Shareholders' Meeting on May 26<sup>th</sup>, 2017

1. The operating procedure has been formulated in accordance with Securities Transaction law article 36-1 and stipulations set forth under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies." The company processing capital lending to others' work shall be sought in accordance with the stipulations set forth under the operating procedure. Unless otherwise provided in the other law and regulations.

2. Subjects the company lends the capital to others:

The company, in accordance with Corporate Law Article 15 stipulations, may not lend its capital to its shareholders or any other individuals, except under the various provisions' circumstances as stated below:

- (1) Companies or businesses with business transactions with the company.
- (2) Companies or businesses deemed necessary for short-term financing capital. The term short-term refers to a one-year period or a business cycle (whichever the longest).

3. The reason and necessity of capital lending to others

The company, when engaging in capital lending to other companies or businesses due to business transaction relation shall adhere to the procedure IV Paragraph 1 Subparagraph 1 stipulations; when deemed necessary to engage in capital lending of short-term financing capital, it shall be limited to the below circumstances:

- (1) A company where the company holds over 50% of shareholdings is deemed necessary for short-term financing capital due to operating needs.
- (2) Other companies or businesses deemed necessary for short-term financing capital for material purchasing or for operating turnover needs.
- (3) Other capital lending subjects having been approved by the company management board.

4. Total capital lending amount and restrictions on individual subjects

The total sum of the company's capital lending to others may not exceed 30% of the net valuation of the company's most recent period's CPA-audited or -reviewed financial statements. The limit amount to each borrower, by lending reason, is separately defined as follows:

1. Companies or businesses with business transactions with the company whose individual lending amount may not exceed the most recent one year or the current year's incoming goods amount or total sales amount with the company, at the time of capital lending.
2. The company companies or businesses deemed necessary having short-term financing capital needs, the individual lending amount may not exceed 15% of the net valuation of the company's most recent period's CPA-audited or -reviewed financial statements.

The company engaging in capital lending with a foreign company that it holds one hundred of the voting rights directly or indirectly may bypass Paragraph 1 and procedure VI Paragraph 1's restrictions, provided that the capital lending cap and period shall still be defined in the "Capital Lending to Others Operating Procedure" per the procedure and stipulations set forth under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."

The term net valuation referred to in the procedure pertains to the balance sheet specified by the Criteria for Compiling Financial Statements by Securities Issuers that are below to its parent company's owner's equity.

## 5. Operational procedures for loans to others

### (1) Credit check

When the company processing the capital has a pending matter, the company or business applying for capital lending shall first submit the relevant financial data and describe clearly the loan amount, period, purpose, state of collateral posting and other matters, to be applied for through written means.

The company, once accepting the application, shall have responsible departments investigate and evaluate whether or not the subject has a direct (indirect) business transaction relationship with the company, the financial standing of the business it operates, debt repayment capability and credit standing, profitability and loan purpose, and also taking into consideration the level of the company's total capital lending amount impacting the company's operating status, through which to compile a report.

### (2) Securitization

The company, when processing a capital lending matter, shall obtain a guarantee promissory note bearing the same amount and where deemed necessary, it shall also file for liquid asset or real estate mortgage lien designation. Of the preceding debt claim guarantee, if the debtor posts comparable means and creditable individual or company as the guarantee, in place of posting the collateral, the management board may reference the responsible department's credit check report to process it; when using a company as the guarantee, it shall verify whether or not its articles of incorporation have defined a guarantee provision.

### (3) Scope

Before providing loans to others, the Board Meeting of the Company shall refer to the credit checking reports prepared by the competent divisions and send to the Audit Committee for the approval of over 1/2 members before submitting for the approval of the Board of Directors' meeting. No authorization to others to make any loan decision is allowed. The opinion of Independent Director shall be taken into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Capital lending between and the company and its parent company or subsidiaries, or among its subsidiaries shall be declared with the management board for resolution voting per the preceding stipulation, and the chairman may also be authorized to vote on a resolution before the board meeting for lending to the same subject with a fixed line of credit and loan allotment by increment or cyclical access within a one-year period.

With the term a certain line of credit referred in the preceding section is only to comply with the procedure IV Paragraph 2 stipulations, the authorized line of credit that the company or its subsidiaries can lend to a single enterprise may not exceed ten percent of the net valuation of said company's most recent financial statements.

## 6. Capital lending, period and interest calculation method

Each capital lending and the cycle shall be capped to one year or a business cycle at the longest (whichever is the longest), effective from the lending date.

The lending interest rate shall not be lower than the Company's short-term borrowing rate quoted by the financial institution of the highest rate. Loan interest shall be paid once a month; in special circumstances, however, interest payment interval can be adjusted as needed with the approval of the Board of Directors.

## 7. The lent amount's subsequent monitoring control measures, overdue debt claims' processing procedure

Following when the loan is released, the borrower and the guarantor's finances, business and relevant credit standing status and the like shall be monitored regularly, and in the case of collateral posted, shall also watch for any circumstances of change to the guarantee value, and in the wake of a major change, it shall notify the chairman at once, and also devise adequate dispositions as



instructed.

The borrower, when repaying the loan when the loan expires or before the expiration, shall first calculate the payable interest, repay it alongside the principal, before the promissory notes, the loan may be canceled and returned to the borrower or file for a mortgage lien cancellation.

The borrower shall promptly repay the principal/interest when the loan reaches its expiry. Of those in breach, the company may proceed to dispose of and seek compensation posthumously in compliance with the law against the collateral or guarantor posted.

8. Internal control:

The company shall instill a validation log when processing capital ending matter, by cataloging the capital lending subject, amount, management board's motioning date, capital lending date and mandated matters to be stringently reviewed as regulated pending further verification.

The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to all Supervisors in writing at once. If any major violation is detected, any manager and personnel in charge shall be disciplined according to the violation.

If, as a result of a change in circumstances, the amount of loans provided by the Company exceeds the limit, adjustment plans shall be adopted and submitted to the Independent Director of the Audit Committee and complete restructuring according to the timeframe set out in the plans to improve internal control of the Company.

9. Disclosure of information:

(1) The company shall upload the company and its subsidiaries' previous month's capital lending balance onto the Financial Supervisory Commission-specified information declaration website, prior to the tenth of every month.

(2) The company, when its capital lending balance reaching one of the below standards, shall upload the information onto the FSC-specified information declaration website, within two days from the date in which the events occurred.

(i) When the company and its subsidiaries' balance of capital lending to others reaches 20% or more of the net valuation of the company's most recent period's CPA-audited or -reviewed financial statements.

(ii) When the company and its subsidiaries' balance of capital lending to a single enterprise reaches 10% or more of the net valuation of the company's most recent period's CPA-audited or -reviewed financial statements.

(iii) When the company or its subsidiaries' newly increased capital lending amount reaches NTD 10 million or 2% or more of the net valuation of the company's most recent period's CPA-audited or -reviewed financial statements.

(3) If a company subsidiary does not belong to a domestic open-listed companies, where said subsidiary having encountered the preceding Paragraph 3's mandated announcement declaration matter, the company shall do so. Of the calculation on the preceding section's subsidiary capital lending balance to its net valuation in percentage, it shall be calculated based on said subsidiary's capital lending balance to the company's net valuation by percentage.

(4) The company shall evaluate its capital lending status and also allocate an adequate bad debt reserve, and shall also declare relevant information on its financial statements, and also supply relevant information to the auditing CPA to execute the necessary audit procedure.

The term "date of occurrence" mentioned in the preceding paragraph shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the transaction counterparty and the transaction amount can be verified with certainty.

10. The company and its subsidiaries shall adhere to the procedure and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" stipulations to formulate a "Capital Lending Operating Procedure," which is to be passed through the subsidiaries'

management boards, and distributed to various auditors and also declared before the shareholders' meeting seeking for its approval and the same also applies to all subsequent amendments. When processing capital lending to others, it shall also be sought commensurate to the stipulations set forth under said company's capital lending to the others operating procedure. The company shall monitor its subsidiaries' capital lending to others status, with the supervision and management to be sought in accordance with relevant company regulations and various subsidiaries' "Capital Lending Operating Procedure" stipulations.

The subsidiary shall announce and report the balance, party, and term of loans made by itself to the Company for the previous month by the 5<sup>th</sup> day of each month but when any loan meets standards regulated in Paragraph 2 of Procedure IX, it shall immediately inform the Company and make announcement and report.

11. The operating procedure's formulation shall be subject to the consent by over one-half of the entire members of the audit committee, and also declared with the management board for motioning in favor, before it is presented before the shareholders' meeting seeking for consent before it is implemented, and if any director expressing contest and which has also been documented or in a written statement, the company shall combine the contest data and forward it to the audit committee and declare it for discussion before the shareholders' meeting, and the same also applies to all subsequent amendments. When the Procedures are submitted to the Board of Directors for discussion, it shall take into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for disagreement shall be included in the minutes of the Board of Directors' meeting.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. This is approved by Paragraph (3) of Procedure V. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## Details of Company Share Ownerships of Directors of China Chemical &amp; Pharmaceutical Co., Ltd.

March 29, 2019

| Title   | Name   | Shares held      |
|---|--|------------------|
| Chairperson   | Chunghwa Chemical Synthesi & Biotech Co., Ltd.<br>Representative: Wang, Hsun-Sheng | 20,933,137shares |
| Director  | Wang Ming-Ning Memorial Foundation<br>Representative: Wang, Hsun-Hui               | 10,432,912shares |
| Independent director  | Chen, Hung-Shou  | 0 shares         |
| Independent director  | Chou, Yen-peng   | 0 shares         |
| Independent director  | Wu, Su-Huan  | 0 shares         |
| Total shares held by the entire Board of Directors  | —  | 31,366,049shares |
| Proportion of shares held by the entire Board of Directors as part of the total number of issued shares | —  | 10.52%           |

Note: 1. The current and actual total authorized capital of the Company amounts to

NT\$2,980,810,800. The total number of issued shares amount to 298,081,080 shares, each share having a par value of NT\$10.

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

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

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

3. CCPC has set up an audit committee. The regulation on the number of shares held by supervisors is not applicable.

4. CCPC meets the requirement of minimum shareholdings by all directors.

## Appendix 10

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

| Year   |   | 2019  |
|--|---|---|
| Item   |   | (estimated)                                       |
| Actual paid-in capital at the preliminary period         |   | NT\$2,980,810,800                                 |
| Shares allotment for this year<br>Payout status          | Cash dividend per share   | NT\$0.8   |
|  | Shares allotted per share for recapitalization of retained earnings   | 0 shares  |
|  | Shares allotted per share for recapitalization of capital reserve   | 0 shares  |
| Business performance<br>Change                           | Operating profit  |   |
|  | Increase (decrease) in operating profit compared to the same period last year   |   |
|  | Net income after tax  |   |
|  | Increase (decrease) in net income after tax compared to the same period last year   |   |
|  | Earnings per share  |   |
|  | Increase (decrease) in earnings per share compared to the same period last year   |   |
|  | Yearly average of return of investments (reciprocal of the yearly average of the price-to-earnings ratio)                                   |   |
| Pro forma price-to-earnings ratio for earnings per share | If the entire sum of the recapitalization of retained earnings is issued as cash dividend   | Pro forma earnings per share                      |
|  |   | Pro forma yearly average of return of investments |
|  | If recapitalization of capital reserve is not implemented   | Pro forma earnings per share                      |
|  |   | Pro forma yearly average of return of investments |
|  | If recapitalization of capital reserve is not implemented, and recapitalization of retained earnings is issued in the form of cash dividend | Pro forma earnings per share                      |
|  |   | Pro forma yearly average of return of investments |

Note: According to statutory regulations, the Company does not need to disclose its 2019 financial forecasts, and is therefore not applicable.