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CHINA CHEMICAL & PHARMACEUTICAL CO., LTD.

2018 Annual Report
(Translation)

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

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

Item	Name	Title	TEL	E-mail address
Spokesperson	Sun, Yin-Nan	Vice President	(02)2312-4200	ynsun@ccpc.com.tw
Deputy Spokesperson	Chao, Te-Feng	Managers,	(02)2312-4200	tfchao@ccpc.com.tw
Deputy Spokesperson	Huang, I-Chun	Managers,	(02)2312-4200	sandy@ccpc.com.tw

II. Addresses and contact numbers of the Head Office, branches, and factory sites:

Item	Address	TEL
Head Office	No.23, Hsiang Yang Rd., Taipei City 100, Taiwan (R.O.C.)	(02)2312-4200
Hsinfong Plant	No.182-1, Keng Tze Kou, Hsinfong Shiang, Hsinchu County	(03)559-9866
Hsinfong Plant II	No.182, Keng Tze Kou, Hsinfong Shiang, Hsinchu County	(03)559-9866
Taichung Plant	No.10, Keng-yeh 15th Rd., Industrial Zone, Taichung City	(04)2359-6818~9
Tainan Plant I	No.46, Gongye W. Rd., Guantian Dist., Tainan City	(06)698-6691
Tainan Plant II	No.39, Gongye Rd., Guantian Dist., Tainan City	(06)699-1110
Tainan Plant III	No.46-8, Gongye W. Rd., Guantian Dist., Tainan City	(06)693-5637

III. Title, address, website and phone number of the share transfer institution:

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

Adress: 2F., No. 17, Xuchang St., Zhongzheng Dist., Taipei City

Website: https://www.fubon.com/securities/agiotage/agiotage_01.htm

TEL: (02)2361-1300

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

Name of CPA: Lin Chun-Yao, Chang Shu-Chiung

Auditor's firm: PwC Taiwan

Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City

Website: http://www.pwc.tw

TEL: (02)2729-6666 (general line)

V. Venue for overseas trading of the Company's negotiable securities and the method to disclose overseas negotiable securities: None

VI. Company website: http://www.ccpg.com.tw

One. Report to Shareholders

Ladies and gentlemen, Dear Shareholders:

First of all, we'd like to thank ladies and gentlemen, our cherished shareholders and all personalities concerned for your kind concern and support toward China Chemical & Pharmaceutical Co., Ltd. On this significant occasion, we'd like to summarize you all about our actual business performance in 2018, our business managerial strategies toward 2019. Please feel free to offer and do not spare your precious comments.

I. 2018 Business Result:

(I) 2018 Business plans on execution and achievement

The parent company reports its revenue at NT$ 3,273,030,000, up by approximately 13.03% when compared with its 2017 revenue at NT$ 2,895,810,000. In 2018, the consolidated revenue of the Company was NT$ 7.58023 billion, a growth of 21.38% compared to that of NT$ 6.2448 billion in 2017. For this term, net profit after tax was NT$ 366.95 million, a growth of 19.72% compared to that of 306.49 million in 2017.

Comparison of the revenues and expenditures in the Consolidated Financial Statements of 2018 & 2017

Unit: NT$ thousand; %

Item	**2018**	**2017**	**Increase (decrease)**	**Increase (decrease) %**
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

(II) Performance of the consolidated budget for 2018

Unit: NT$ 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

(III) The revenues and expenditures in the Consolidated Financial Statements for 2018 and analysis into the profitability thereof:

1. Financial income and expense:

Unit: NT$ 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: 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

(IV)2018 Research & Development :

1. The 2018 research and development achievements are as follows:
   (1) New product registration and listing applications
   5 human drug applications and 4 animal drug applications
   (2) New product license certification
   6 human drug license certifications and 5 animal drug license certifications
   (3) Exported human drug license certification
   4 overseas human drug license applications and 2 certifications
2. Developing the API nanoparticles production platform
   Developing the API nanoparticles production platform, which includes the development of an API nanoparticle stabilizer, the production of API nanoparticles, and the establishment of an API nanoparticle production analytical method.
3. Developing the Liposome drug technology platform
   Developing the Liposome technology platform, which includes the establishment of a Liposome stabilizer, production, analytical method, and related regulations.
4. Developing an integration platform for new product development
   Collaborate on a new product development and integration platform with the operation, materials, and production departments to continuously introduce new products for the domestic market.
5. Joint force in new drug research and development
   Working with the industry, academic and research sectors in jointly participating in niche-based new drug R&D projects, among them the mTOR cancer fighting new drug's phase-one clinical testing stage. It has been turned over to the Development Center for Biotechnology to continue with the subsequent drug development. The DPP4 diabetes Inhibitor new drug has been re-authorized to CSPC, with phase-two clinical testing reviews having been completed in Mainland China.

II. Business plans for 2019 in summary:

(I) The business policies and major production and marketing policies for the Parent Company and the subsidiaries

1. China Chemical & Pharmaceutical Co., Ltd. (parent company)
   (1) Quality enhancement
   - The Xinfeng factory surpasses the TFDA's special purpose drug factory audit.
   - The Xinfeng II plant surpasses Japan PMDA's subsequent factory audit.

- The Taichung factory surpassing the TFDA PIC/S GMP and VETCO GMP's subsequent factory audits.
- The Tainan I plant surpasses the Kingdom of Saudi Arabia's factory audit and VETCO cGMP factory audit.
- Tainan Plant II was successfully granted a pass by FDA in the follow-up factory inspections.

(2) Expansion in productivity

- Planning the Xinfeng factory's solid dosage productivity with a most optimized transformation plan.
- Planning and installing the Xinfeng factory's injection dose pre-filling production line.
- The Tainan IV plant's Penem new plant construction.

(3) Performances in international markets

- Integrating CCPC affiliated companies' relevant resources, it not only exports its own formulated drugs, and has been actively venturing into family daily beauty and cosmetics, beauty care products, health foods, animal drugs, food additives' export expansion operation, aiming to market CCPC affiliated companies' relevant products worldwide.
- On foreign OEM processing aspect: The Tainan II plant once again surpassed the US. FDA plant audit, and is currently steadfastly supply goods to the U.S. market. The Xinfeng II plant is of the HPC dedicated factory, and has surpassed Japan PDMA's audit, primarily used for producing immune suppressant series products, which are not only exported to the Japanese market and is also actively expending exports to other global markets. The Xinfeng I plant and Taichung factory's two lyophilized injection products are not only steadily exported to Japan, but are also actively searching for collaboration on other items.

(4) Performances in the animal health products

- We screen well distributorship oriented products, set up new domestic distributorship channels to go hand-in-hand with direct sales markets to expand services toward customer bases and promote business operation into further growth.
- To embark on the animal vaccines market, actively seeking local industry/academic collaborations and foreign representation introduction opportunities.
- To utilize participating in local/foreign livestock and animal drug merchant recruitment activities, to develop Asian exports and international OEM services across the U.S. and00 Japan among other countries.
- To instill a strategic alliance with other local animal drug plants, through which to mutually compensate each other's commissioned manufacture or distribution products, and to excel market competitiveness.

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

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

- In response to the Health Insurance drug price adjustments, it aims to speed up cutting-edge new drug debuts and sales, together with strategically adjusting the future five years' product portfolio by executing drug induction and increased volume plans, through which to excel the tangible profitability.
- By strengthening the company image and product quality, it aims to excel hospitals confidence in CCPG, by which to excel the drug induction

opportunities.

- We intensify positioning of pharmaceuticals manufactured by ourselves, agency pharmaceuticals, users-pay health care products as the very highlighted products positioned into our marketing programs.
- We develop cancer-oriented pharmaceuticals, rare drugs and Biosimilar drugs into markets.

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

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

(3) Expansion of pharmaceutical sales platform scale

- In utmost effort, we bring in products of international generic pharmaceutical manufacturers, engage in distributorship, research & development of patented pharmaceuticals and integrate them with the marketing channels of existent products.
- In wholehearted efforts, we team up with Japanese counterpart Daiichi-Sanky to market its leading brand name OTC cold medicine Shin Lulu Ace.
- Expanding the collaboration with Japan Maruho Co., Ltd. To introduce new drugs.
- Expanding the collaboration with Japan Maruishi Co., Ltd. To introduce new drugs.
- Coordinating medical clinics' and hospitals' needs to introduce AI smart medicine cabinet, by which to excel drug use safety and quality, and to expand IT healthcare development business opportunities.

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

- We incorporated Chunghwa Biomedical Technology Corp. to manufacture individual cleansing and beauty-makeup articles.
- In our profound culturing, we promote our leading brand names "Green ", "Smiling", "KOZI", "Full Health" into investment benefits.
- We expand teamwork with Japan for LION household article series and significantly boost markets in the cosmeceuticals channels.
- Through active efforts, we promote markets in Taiwan in concert with Elis Brand name of Japan, for the Elis Personal hygiene products.
- In positive efforts, we promote SSM Sheep Milk Powder for marketing and expansion channels in Taiwan.
- We expand teamwork with Garmin to set up logistic platforms for intellectual health mobile device medicines. .
- We expand the joint venture program for Brise artificial intellectual air cleaners which we shall promote into the professional medical-care markets.

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

(1) It primarily engages in sales promotion.

- Expanding the local variety calcium polycarbophil's market development and promotional strength in 2019, by which to achieve increasing the sales volume by 150%.

- Securing consistently reviewed varieties, by which to further expand the sales, and secure the market share.
- Continually ahead, we accelerate non-antibiotic products and chronic disease oriented markets, primarily aiming at aging patients. We focus on promotion of Voglibose, Telmisartan and Hydrochlorothiazide Tables.

(2) We strengthen investment into the research & development.

- Three primary varieties and 5 specifications have garnered consistent review approval.
- Completed freeze-dry powder injection's three consistency reviews strategic collaborating product's consistency study and production work, and presented for registration application.

(3) Continued enhancement of the enterprises

- Operating on the foundation of the nursing liquid's fully automated line's successful experience, the freeze-dry powder injection plant has been introduced with automated boxing and cartooning. It has debuted fully automated robotic production lines in order to achieve clean-room needle rising, filling, sealing, labeling, boxing, cartooning, stacking in a fully automated process, creating the first fully automated pharmaceutical production room at CCPC Suzhou.

(4) Development of OEM markets at home and abroad

- We try hard to maintain sound teamwork in the current markets in Japan with positive efforts to strive for new chances in the markets.
- In wholehearted efforts, we timely respond to the changes in the domestic pharmaceutical policies to boost the opportunities in domestic OEM markets.

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

(1) Growth and systemization for overall nursing-care services.

- Affiliated government funding integrated with self-paid homecare services, fostering a steady business growth; it is a renowned brand in self-paid services which strives to actively venture into the government funding market, aiming to gain CCPC's popularity among the senior citizens sector.
- In nursing-care services, we associate ourselves with at home care services to promote one-stop integral at home care services and merchandise link. Meanwhile, we continually strengthen promotion of professional expertise care services to cover such services including dementia, health enhancement and home-based hospice.
- The IT management system further excels and the care program pairs with the homecare personnel's execution content standardization.
- Launching an integrated homecare operations consulting service, a network of tangible A outlets (A outlets) has been instilled across Taipei, New Taipei, Taichung and Kaohsiung communities, to expand its overall synergy and industry influence.
- Instilling an integrated membership mechanism with comprehensive case data and figures, by which to grasp elderly consumption economic trends and expand the revenue.

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

- We establish and enact teaching materials/kits for professional nursing-care services and systemization of standards for teaching contents to launch modulized curricula with charge for tuitions. For a variety of nursing-care services curricula, we work out Standardized Guideline based on grades and professional categorization.

- Continually via educational & training programs, we team up with business, academic and government celebrities and authorities to accumulate professional momentum of professional teaching facilities and industrial capability. We launch concerted development toward curricula, curricular training programs and authentication certificates.
- For screening of outsourced instructors, we set sound conditions for evaluation and, meanwhile, we carry out sound cultivation & training programs for in-house CCPC instructors.
- In the educational & training programs, we associate ourselves with procurement of the target merchandise, integration of cross-supplier resources to maximize the multivariate benefits.

(3) Complete integration of Online-to-Offline (O2O) e-commerce platform.

- Making an inroad into a full online-to-offline distribution network, by which to integrate homecare and the CSCC Care for active business expansion.
- Supplying gerontology-related assistive devices and product consultation, offering aid application, purchase and related diverse one-stop services, it is dedicated to excelling product consultation services' reliability and effectiveness, by which to offer the consumers with precision consumption means.

(4) Other business model expansion

- To instill extra-industry collaboration with developer communities, commercial insurance and the like by which to continue developing new strategic alliances and business models.

5. PHERMPEP CO., LTD. (a subsidiary)

(1) To deeply-root the core brands and also to develop new products for the niche market, by which to jump start a 200% revenue growth

Combining Internet marketing and scheduled delivery service, the initial period primarily focuses on Phermpep, and the latter period calls for steadfastly streamlining other niche-market products. A synchronous manifestation of tangible network sales by deploying a diverse product sales mode for triggering revenue growth for achieving the objective of a 200% revenue growth.

(2) Emphasizing on "KEFPEP-Bone Health" marketing, it works through celebrity spokespersons paired with a diverse marketing strategy, aiming to trigger product popularity and sales.

The "KEFPEP-Bone Health" hailed as the company's first health food certified product, and currently made inroads into the initial medical distribution network and completed the professional sales staff's developmental training. To further optimize its product sales synergy, celebrity Mr. Chao Shu-hai has been commissioned to act as "PHERMPEP" product spokesperson, who will help to strength the product popularity and also trigger product sales volume through television advertisements and Internet marketing, coordinated also with synchronous distribution network promotion.

(3) Forming alliance with Chinese collaborating teams, it aims to hone in on Mainland China's health industry.

With preventive medicine and special nutrition products being the focal items in Mainland China's health industry, the company has long been deeply-rooted in Chinese hospital distribution network by collaborating with healthcare nutrition product sales teams, initially focusing on developing the cardiovascular and blood vessel healthcare market, in anticipation of the physicians recommending and triggering the product sales. With kefir peptides considered as an innovative healthcare raw material, the company has in the last year successfully completed the import/export legal requirements to export to China through normal trading. This year, it emphasizes, building up the sales network and instilling a functional food brand, and in turn to trigger product sales.

(4) To excel the core raw material's mass production scale, in supplying the market demand

Thanks to the diverse marketing on derivative products in the local market buoying the sales volume to rise continuously, coupled with the global market also continuing to order raw materials, the overall kefir peptide raw materials' market demands is growing exponentially. In case the existing mid-level production scale may fall short of supporting the long-term market growth demand, the productivity will be further expanded to a large-scale fermentation output to bridge the market needs.

6. Tairung Development Co., Ltd. (a subsidiary)

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

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

(II) Anticipated sales volumes and the grounds thereof

We anticipate our sales volume in 2019 exactly on the grounds of the business policies in 2018 amidst the targets of market segmentation, improvement of product structure and upgrade of our capability in product development, we anticipate our sales volume as shown through the Table below:

Classification	Unit	Sales volume
Human oriented injections	Expressed on one thousand pieces	54,724
Human oriented liquid and ointment	Kg.	1,582,668
Human oriented tablets	Thousand pieces	2,317,457
Animal oriented injections	Expressed on one thousand pieces	676
Animal oriented liquid & ointment	Kg.	88,113
Animal oriented feed medicine additives	M. T.	2,026
Plastic containers	M. T.	580
Daily use health-care products	M. T.	2,800
artificial joint prosthesis	piece	90,000

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

(I) 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.

(IV) On the aspect of offshore subsidiaries, the company continues to extend the third terminal department and also to speed up new product induction; in response to the consistency valuation policy. It calls for grasping the consistent valuation work's progress, with product items already surpassing the consistency valuation to enter into market expansion and penetration at once. This is a steady approach to perfect the company public affairs department and a timely grasp of government policy and also formulate countermeasures.

We wish you all shareholders

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

Chairman: Manager: Accounting Supervisor:

Two. Company Profile

I. Date of foundation: March 12, 1952

II. Company history:

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

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

The significant CCPC development events are summarized below:

April 1993:	Suzhou CCPC Industrial Co., Ltd. was officially incorporated. Suzhou CCPC is known as the largest Taiwan pharmaceutical pioneer landing with huge investment in China.
August 2000:	Suzhou CCPC successfully acquired GMP certification from National Pharmaceutical Supervisory Administration.
November 2001:	Suzhou CCPC successfully passed ISO9001: 2000 Quality & Quantity Management System Certification.
November 2002:	Suzhou CCPC's Research Institute was completed and satisfactorily passed ISO4001 Environmental Management System Authentication.
April 2006:	To make optimal quality services available, CCPC Biomedicine Co., Ltd. - a CCPC investee, officially signed the contract with Home Instead Corporation of the United States in April to promote nursing-care services at home markets in Taiwan.
August 2007:	Suzhou CCPC was granted by Japan's Health Ministry (MHW) authentication certificate for general pharmaceuticals and medicine products.
November 2008:	Tainan Plant I was granted ISO22000: 2005 Authentication.
July 2009:	Tainan Plant III (Cephalosporin Plant) broke grounds to start construction.
December 2009:	Suzhou CCPC—a CCPC investee, satisfactorily passed official plant inspection process by PMDA(GMP) Japan on December 25, 2009 and successfully passed authentication by PMDA Japan.
March 2010:	Taichung Plant successfully passed official PIC/S GMP evaluation by Department of Health, Executive Yuan (the Cabinet) . .
September 2010:	Suzhou CCPC laid its foundation for new stronghold. That new

factory consistent with the up-to-date version GMP of China and European Union (EU) as a modernized plant was completed in late 2013.

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

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

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

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

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

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

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

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

September 2012: CCPC teamed up with National Chung Hsing University, Dayeh University in concerted development of "new anti-hypertension peptide and the uses thereof" to complete execution for technical transfer contract.

CCPC officially launched the new era of Taiwan's hypertension-prevention health.

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

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

May 2014: Factory of CCPC Suzhou at the new site launched overall volume production.

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

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

October 2014: The Company set up CCPC Suzhou Yumin Pharmaceutical Co., Ltd. to cultivate Chinese markets in depth, focusing on Changjiang Delta, Zhujiang Delta and Beijing, with market networks virtually covering entire China, as an expertise and trustworthy marketing & service platforms for medical care products.

January 2015: The Company set up CCPC Phermpep. Thanks to the sound and successful teamwork by and among CCPC, National Chung Hsing University, Dayeh University for decade-long efforts, with the leading banner research & development power, the CCPC Group has focused on material development and well dominated consumers' need and pulse to offer omnifarious and comprehensive health-care food.

June 2015: With the Establishment Inspection Report issued by US FDA to verify the satisfactory outcome in factory inspection, CCPC's Tainan Plant II was officially verified to satisfy US FDA standards. Pharmaceuticals manufactured by CCPC's Tainan Plant II could be marketed throughout the American markets.

August 2015: To better satisfy the requirements by senior citizens in their aging lifestyle, CCPC Biomedicine Co., Ltd. was rechristened into "Chunghwa Senior Lifestyle Services Co., Ltd. " to specifically take care of aging senior citizens, take charge of cultivation & training programs for aging senior citizen oriented talents and render managerial and consolatory services.

CCPC's Taichung Plant and Hsinfong Plant respectively accepted factory inspection process by PMDA Japan before the lyophilized injection injection products launch markets to verify GMP compatibility. The both Plants received "Report on GMP Investigation Outcome" with overall judgment as "compatible". The both Plants prove satisfactory to the GMP specifications Japan.

February 2016: Groundbreaking process to start construction of CCPC's Taiwan Medicated Soap Plant satisfactory to cGMP specifications.

October 2017: CCPC's Taiwan Medicated Soap Plant satisfactorily passed GMP specifications as officially approved by the Ministry of Health and Welfare.

January 2017: The Xinfeng II plant and Tainan III plant surpass the Ministry of Health and Welfare's (TFDA) PIC/S GDP compliance assessment.

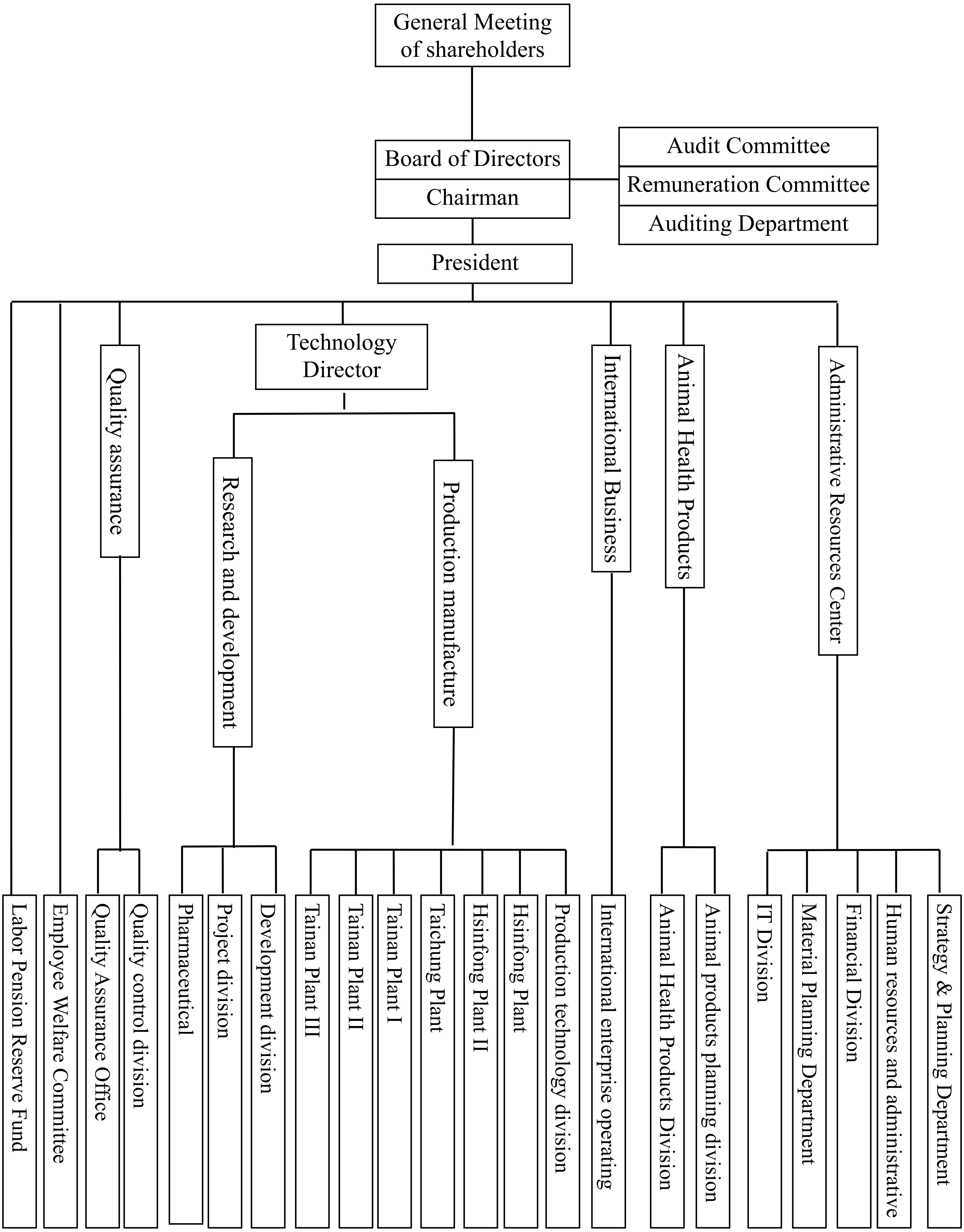
October 2017: The Tainan III plant's new construction of a medicated soap dosage plant and production line surpass the Ministry of Health and Welfare's (TFDA) PIC/S GDP compliance assessment.

Three. Corporate Governance

I. Organizational structure:

(I) Organization chart:

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



(II) Business affairs operated by the key departments:

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

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

(I) Information on directors

March 29, 2019 Unit: shares

Title Name	Nationality and Registry	Gender,	Date elected	Term	Date first elected	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
Chairman Chunghwa Chemical Synthesis & Biotech Co.,Ltd	Republic of China	-	2018.11.14	3 years	1995.07.19 Additional notes	13,747,137	4.61%	20,933,137	7.02%	0	0.00%	0	0.00%	None	The Company: None Other Company: None	None	None	None
Chairman Chunghwa Chemical Synthesis & Biotech Co.,Ltd Representative: Wang Hsun-Sheng	Republic of China	Male	2018.11.14	3 years	1992.04.11	14,703,937	4.93%	14,703,937	4.93%	626,177	0.21%	0	0.00%	MBA, Yale University	The Company: Chairman Other Company: Note 1	Director	Wang, Hsun-Hui	Brothers
Director Wang Ming-Ning Memorial Foundation	Republic of China	-	2018.11.14	3 years	2007.06.08	10,432,912	3.50%	10,432,912	3.50%	0	0.00%	0	0.00%	None	The Company: None Other Company: None	None	None	None
Director Wang Ming-Ning Memorial Foundation Representative: Wang, Hsun-Hui	Republic of China	Male	2018.11.14	3 years	1995.05.30	13,781,817	4.62%	13,781,817	4.62%	1,013,177	0.34%	0	0.00%	BA, State University of New York	The Company: None Other Company: Note 2	Chairman	Wang, Hsun-Sheng	Brothers
Independent Director Chen, Hung-Shou	Republic of China	Male	2018.11.14	3 years	2016.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA., National Taiwan University	The Company: None Other Company: Note 3	None	None	None
Independent Director Wu, Su-Huan	Republic of China	Female	2018.11.14	3 years	2016.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA., National Taiwan University	The Company: None Other Company: Note 4	None	None	None
Independent Director Chou, Yen Peng	Republic of China	Male	2018.11.14	3 years	2018.11.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Law, Fu Jen Catholic University	The Company: None Other Company: Note 5	None	None	None

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

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

Note 3: Independent Director of Yageo Corporation, momo.com Inc., Giant Manufacturing Co., Ltd.

Note 4: Iron Force Industrial Co., Ltd. independent director, SiEn (Qingdao) Semiconductor Corp. Co., Ltd. senior VP

Note 5: APEX Medical Co. director, Allied Biotech Corporation director and audit committee council.

Footnote: CCSB has in July, 1995 initially served as corporate director on a three-year tenure, and has been reelected July, 2010~July, 2016.

2. Where the directors are representatives of juristic person shareholders, list of shareholders among the top ten in terms of shareholding ratios:

(I) Corporate shareholders' main shareholders:

Corporate shareholder Name	Major Shareholders of Corporate Shareholders	Ratio of Shareholding
Chunghwa Chemical Synthesis & Biotech Co.,Ltd	China Chemical & Pharmaceutical Co., Ltd.	22.35%
	Fubon Holding Venture Capital Co., Ltd.	3.87%
	Wang, Hsun-Sheng	3.68%
	Wang, Hsun-Hui	2.40%
	Wang Ming-Ning Memorial Foundation	2.18%
	Wang, Hsun-Wei	1.29%
	Lin, Kuei Mei	1.28%
	Wang, Hsun-Yu	1.02%
	KaiNan Vocational High School	0.93%
	Deutsche Bank Deutsche Bank Taipei Branch is entrusted with the SPDR Standard & Poor's Emerging Markets ETF Investment Account of SPDR (R) Index Stock Fund	0.91%
Wang Ming-Ning Memorial Foundation	None	0

(II) Major shareholder(s) where the major shareholder of the juristic person shareholder is a juristic person:

Name of corporate shareholder	Corporate shareholders' main shareholders	Ratio of Shareholding
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	7.02%
	Wang, Hsun-Sheng	4.93%
	Wang, Hsun-Hui	4.62%
	Fubon Life Assurance Co., Ltd.	4.36%
	Wang Ming-Ning Memorial Foundation	3.50%
	Guan's Enterprise Co., Ltd.	2.35%
	The special Norwegian Central Bank account for investment where Citibank (Taiwan) was commissioned for custody	2.30%
	Ma Jia De Enterprise Co., Ltd.	1.63%
	Investment on funds in the sub-emerging markets as commissioned by Citibank (Taiwan)	1.17%
	Cathay Life Insurance Co. Ltd.	1.09%
Fubon Holding Venture Capital Co., Ltd.	Fubon Financial Holding Co., Ltd.	53.80%
	Fubon Securities Co., Ltd.	11.20%
	Fubon Life Insurance Co., Ltd.	10.00%
	Fubon Life Assurance Co., Ltd.	25.00%
Wang Ming-Ning Memorial Foundation	—	—
KaiNan Vocational High School	—	—
Deutsche Bank Deutsche Bank Taipei Branch is entrusted with the SPDR Standard & Poor's Emerging Markets ETF Investment Account of SPDR (R) Index Stock Fund	—	—

3. Directors' expertise and independence

Qualification / Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Chairman Chunghwa Chemical Synthesis & Biotech Co.,Ltd Representative: Wang Hsun-Sheng			V									V		–
Director Wang Ming-Ning Memorial Foundation Representative: Wang Hsun-Hui			V									V		–
Independent Director Chen, Hung-Shou			V	V	V	V	V	V	V	V	V	V	V	3
Independent Director Wu, Su-Huan		V	V	V	V	V	V	V	V	V	V	V	V	1
Independent Director Chou, Yen Peng		V	V	V	V	V	V	V	V	V	V	V	V	1

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

(1) Not employed by the company or any of its affiliated companies.

(2) The directors and supervisors not as an affiliated enterprise of the Company (except an event as an independent director who has been staffed by the subsidiary based on the main Act or the local home country law in case of a company or parent company)

(3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.

(4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.

(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.

(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.

(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee performing their duties pursuant to Article 7 of the Regulation Governing the Establishment of Remuneration Committee and the Performance of Authority of Companies trading their stocks in TWSE/GTSM.

(8) Not a spouse or relative of second degree or closer to any other directors.

(9) Does not meet any descriptions stated in Article 30 of The Company Act.

(10) Not elected as a government or corporate representative according to Article 27 of The Company Act.

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

March 29, 2018 Unit: shares

Title	Nationality	Name	Gender	Date on board	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
President	Republic of China	Wang, Hsun-Sheng	Male	1995.08.01	14,703,937	4.93%	626,177	0.21%	0	0.00%	MBA, Yale University	Chairman of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Tairung Development Co., Ltd., Chunghwa Senior Care Co., Ltd., HU-YU Co., Ltd., Sino-Japan Chemical Co., Ltd., Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	None	None	None
Technology director & R&D VP	Republic of China	Wu, Chih-Yung	Male	2017.06.01	0	0.00%	0	0.00%	0	0.00%	College of Pharmacy, China Medical University	Chunghwa Yuming Healthcare Co., Ltd. Director	None	None	None
Vice President	Republic of China	Sun, Yin-Nan	Male	2000.04.14	65,082	0.02%	7,841	0.00%	0	0.00%	Graduated from Labor Relationship Department of Chinese Culture University	Director of Chunghwa Chemical Synthesis & Biotech Co., Ltd., Chunghwa Yuming Healthcare Co., Ltd., Tairung Development Co., Ltd., Chunghwa Senior Care Co., Ltd., Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., President of Chunghwa Yuming Healthcare Co., Ltd., Chairman of Chunghwa Biomedical Technology Corp.	None	None	None
Vice President	Republic of China	Hsieh, Chun Ju	Female	2017.06.01	0	0.00%	0	0.00%	0	0.00%	Ph. D. in Biology in Emory University in Atlanta	Director of China Development Biomedical Co., Ltd. (juristic person representative of CCSB)	None	None	None
Vice President	Republic of China	Tsai, Kuo-Chang	Male	2014.09.01	0	0.00%	0	0.00%	0	0.00%	BPharm, Kaohsiung Medical University	Chunghwa Yuming Healthcare Co., Ltd. Director	None	None	None
Chief Auditor	Republic of China	Lin, Teng-Pao	Male	1994.01.04	49,916	0.02%	0	0.00%	0	0.00%	Graduated from National Cheng Kung University, Department of Industrial Management	None	None	None	None
Division director	Republic of China	Chao, Te-Feng	Male	2001.07.19	52,272	0.02%	0	0.00%	0	0.00%	Graduated from National Chung Hsing University, Department of Statistics	Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., Supervisor of PHERMPEP CO., LTD., Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Senior Care Co., Ltd., Tairung Development Co., Ltd.	None	None	None
Division director	Republic of China	Huang, I-Chun	Female	2014.03.07	0	0%	0	0.00%	0	0.00%	Graduated from Feng Chia University, Department of Finance & Taxation	Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd., Tairung Development Co., Ltd., PHERMPEP CO., LTD., Supervisor of Chunghwa Yuming Healthcare Co., Ltd., Chunghwa Biomedical Technology Corp.	None	None	None

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

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

Title	Name	Remuneration to Directors								The sum of A, B, C and D as a percentage of after-tax profit (Note 10)		Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)		Remuneration from invested businesses other than the subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The company	All companies shown in the financial report (note 7)	The company	All companies shown in the financial report (note 7)	The company	All companies shown in the financial report (note 7)	The company	All companies shown in the financial report (note 7)	The company	All companies shown in the financial report (note 7)	The company	All companies shown in the financial report (note 7)	The company	All companies contained in the financial report (Note 7)	The company		All companies contained in the financial report (Note 7)		The company	All companies shown in the financial report (note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Wang, Hsun-Sheng (CCSB)	2,047	2,047	0	0	3,300	3,300	1,926	1,926	1.97%	1.98%	3,922	7,754	164	374	158	0	195	0	3.11%	4.25%	0
Director	Tsai, Ching-Chung (Foundation)																					
Director	Wang, Hsun-Hui (Foundation)																					
Director	Cheng, Hsi-I																					
Independent Director	Chen, Hung-Shou																					
Independent Director	Wu, Su-Huan																					
Independent Director	Pei, Min-Li																					
Independent Director	Chou, Yen Peng																					
*** Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided to a company as mentioned in the financial statements (e.g. serving as a consultant not as an employee): Nil**																						

Note: The chairman and general manager was staffed with a chauffeur and was paid in the recent year, as the aggregate total of salary, overtime pay, evaluation incentive, remuneration to an employee, amounting to NT$ 1,043,873.

Note: Directors Tsai Ching-Chung, Cheng Hsi-I have resigned on November 14, 2018.

Note: Independent director: Pei Min-li has resigned on October 31, 2018, and Chou Yen-peng has taken office on November 14, 2018.

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies shown in the financial report (note 9) H	The Company (Note 8)	All companies shown in the financial report (note 9) I
> NT$2,000,000	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-I; Chen, Hung-Shou; Wu, Su-Huan; Pei, Min-Li; Chou, Yen Peng	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-I; Chen, Hung-Shou; Wu, Su-Huan; Pei, Min-Li; Chou, Yen Peng	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-I; Chen, Hung-Shou; Wu, Su-Huan; Pei, Min-Li; Chou, Yen Peng	Tsai, Ching-Chung; Wang, Hsun-Hui; Cheng, Hsi-I; Chen, Hung-Shou; Wu, Su-Huan; Pei, Min-Li; Chou, Yen Peng
NT$2,000,000 ~ NT$5,000,000 (exclusive)	Wang, Hsun-Sheng	Wang, Hsun-Sheng		
NT$5,000,000 ~ NT$10,000,000 (exclusive)			Wang, Hsun-Sheng	
NT$10,000,000 ~ NT$15,000,000 (exclusive)				Wang, Hsun-Sheng
NT$15,000,000 ~ NT$30,000,000 (exclusive)				
NT$30,000,000 ~ NT$50,000,000 (exclusive)				
NT$50,000,000 ~ NT$100,000,000 (exclusive)				
> NT$100,000,000				
Total	8 persons	8 persons	8 persons	8 persons

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

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

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

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

Note 5: Remunerations received by directors who have also worked in the capacity as employees (including the position of President, Vice President, mangers, and employees), including, salaries, subsidies, severance pay, bonus, awards, traveling subsidy, special subsidy, different forms of subsidies, accommodation, company car, and other supplies in kind. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2, "Share-Based Payment", including ESO, RS, and participation in subscription of new shares for raising capital, etc.

Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.

Note 7: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Directors.

Note 8: The amount of remuneration made by The Company to each Director is disclosed separately in amount ranges.

Note 9: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.

Note 10: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 11: a. This field must state any form of remuneration the Director has received from The Company's invested businesses other than subsidiaries. b. For Directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I of the Remuneration brackets table. Change the name of column J to "All invested businesses". c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

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

2. Supervisors' remuneration: Not applicable

3. The president and the vice president's remunerations (the total paired with scale by means of disclosing the name)

Unit: NT$ thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		The company	All companies shown in the financial report (note 5)	The company	All companies shown in the financial report (note 5)	The company	All companies shown in the financial report (note 5)	The company		All companies shown in the financial report (note 5)		The company	All companies shown in the financial report (note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Wang, Hsun-Sheng	12,975	16,800	581	689	2,997	4,602	749	0	749	0	4.68%	6.22%	0
Vice President	Sun, Yin-Nan													
Vice President	Hsieh, Chun Ju													
Vice President	Tsai, Kuo-Chang													
Vice President	Wu, Chih-Yung													
Vice President	Hsu, Shou-Chung													

Note: The vice general manager was staffed with a chauffeur and was paid in the recent year, as the aggregate total of salary, overtime pay, evaluation incentive, remuneration to an employee, amounting to NT$ 754,151.

Note: VP Hsu Shou-Chung has retired on July 30, 2018.

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

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company (Note 6)	All companies shown in the financial report (Note 7) E
> NT$2,000,000	Sun, Yin-Nan; Hsu, Shou-Chung	Hsu, Shou-Chung
NT$2,000,000 ~ NT$5,000,000 (exclusive)	Wang, Hsun-Sheng; Wu, Chih-Yung; Hsieh, Chun Ju; Tsai, Kuo-Chang	Wang, Hsun-Sheng; Wu, Chih-Yung; Hsieh, Chun Ju; Tsai, Kuo-Chang
NT$5,000,000 ~ NT$10,000,000 (exclusive)		Sun, Yin-Nan
NT$10,000,000 ~ NT$15,000,000 (exclusive)		
NT$15,000,000 ~ NT$30,000,000 (exclusive)		
NT$30,000,000 ~ NT$50,000,000 (exclusive)		
NT$50,000,000 ~ NT$100,000,000 (exclusive)		
> NT$100,000,000		
Total	6 persons	6 persons

Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (1-1) or (1-2).

Note 2: Refers to salaries, work subsidies, and severance pay made to the General manager and Vice Presidents in the latest year.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2, "Share-Based Payment", including ESO, RS, and participation in subscription of new shares for raising capital, etc.

Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's President/Vice Presidents.

Note 6: The amount of remuneration made by The Company to its President/Vice Presidents is disclosed separately in amount ranges.

Note 7: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and disclose the names of these Presidents and Vice Presidents in relevant brackets along the scale of remunerations.

Note 8: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 9: a. this field must state any form of remuneration the President and Vice President have received from The Company's invested businesses other than subsidiaries. b. For President/Vice Presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column E of the Remuneration brackets table. Change the name of column E to "All invested businesses". c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries. * The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

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

December 31, 2018; Expressed in NTD Thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	President	Wang, Hsun-Sheng	–	975	975	0.3%
	Vice President	Sun, Yin-Nan				
	Vice President	Hsieh, Chun Ju				
	Vice President	Tsai, Kuo-Chang				
	Vice President	Wu, Chih-Yung				
	Vice President	Hsu, Shou-Chung				
	Chief Auditor	Lin, Teng-Pao				
	Division director	Chao, Te-Feng				
	Division director	Huang, I-Chun				

Note: VP Hsu Shou-Chung has retired on July 30, 2018.

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

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

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

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

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

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

1.

Year / Item	The company		All companies covered within the consolidated financial statements	
	As a percentage of net profit after tax %		As a percentage of net profit after tax %	
	2017	2018	2017	2018
Remuneration to Directors	2.36	1.97	2.39	1.98
President's and Vice Presidents' remuneration	5.15	4.68	6.81	6.22

2. Remuneration policy for the directors, general manager and vice general manager: The remuneration to the Company's directors was fixed based on Article 20X of the Company's Articles of Incorporation: For remuneration to the chairman, directors, the chairman is bestowed with plenipotentiary power to fix the amount based on the extent of their participation in the Company's business operation, their contribution with reference to the level of the horizontal trades. The Company's Articles of Incorporation specifies in Article 32: With the profit earned by the Company in a year, a sum within 3% maximum shall be appropriated as remuneration to the directors, general manager and vice general manager. The remunerations shall be granted in accordance with the

Company's "Regulations Governing Management over Salaries for Employees", the level of contributions of the positions within their responsibilities and powers and the Company's business targets, with reference to the salary levels of the equivalent positions in the horizontal trades. In terms of procedures to fix remunerations, remuneration to directors is granted in accordance with the Company's "Regulations Governing Payment of Salaries & Remunerations to Directors and Functional Committee Members", and remuneration to the general manager and vice general manager is duly granted in accordance with "Regulations Governing Management over Salaries to Employees" and "registry Management over Performance by Employees" as the grounds. Other than reference to the Company's overall business operation performance, the future operating risks and development trends, the Company grants rational remuneration with reference to the individual performance accomplishment and level of contribution to the Company, relevant performance evaluation outcome and rationality of the remuneration which have been duly checked and verified by the Remuneration Committee and the Board of Directors, with reference to the substantial performance and laws and ordinances concerned with reassessment in real time to assure sound balance between the Company's sustainable development and risk control.

III. Corporate governance:

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

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

Title	Name	Actual attendance B	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remarks
Chzairman	Chunghwa Chemical Synthesis & Biotech Co.,Ltd Representative: Wang Hsun-Sheng	2	0	100%	Appointment on November 14, 2018 (Required attendance: 2)
Chairman	Wang, Hsun-Sheng	8	0	100%	The old tenure prior to November 14, 2018 (Required attendance: 8)
Director	Wang Ming-Ning Memorial Foundation Representative: Wang, Hsun-Hui	1	1	50%	Appointment on November 14, 2018 (Required attendance: 2)
Director	Wang, Hsun-Hui	4	4	50%	The old tenure prior to November 14, 2018 (Required attendance: 8)
Director	Cheng, Hsi-I	5	3	63%	The old tenure prior to November 14, 2018 (Required attendance: 8)
Director	Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung	7	1	88%	The old tenure prior to November 14, 2018 (Required attendance: 8)
Independent Director	Chen, Hung-Shou	8	2	80%	The re-appointment through re-election on November 14, 2018 (Required attendance: 10)
Independent Director	Wu, Su-Huan	7	3	70%	The re-appointment through re-election on November 14, 2018 (Required attendance: 10)
Independent Director	Pei, Min-Li	7	0	100%	The old tenure prior to November 14, 2018 (Required attendance: 7)
Independent Director	Chou, Yen Peng	2	0	100%	Appointment on November 14, 2018 (Required attendance: 2)

Facts of participation in the board of directors meeting by the independent directors in 2018 ◎: Participation in person; ☆: Participation through a proxy; *: Absent										
2018	March 13	May 8	June 28	August 9	September 26	October 12	October 18	November 12	November 22	December 27
Chen, Hung-Shou	◎	◎	◎	◎	◎	☆	☆	◎	◎	◎
Wu, Su-Huan	☆	◎	☆	◎	☆	◎	◎	◎	◎	◎
Pei, Min-Li	◎	◎	◎	◎	◎	◎	◎			
Chou, Yen Peng									◎	◎

Note: Independent director: Pei Min-li has resigned on October 31, 2018, and Chou Yen-peng has taken office on November 14, 2018.

Other remarks:

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

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

The 12th board of directors meeting of Session XXIII convened on March 13, 2018

Key points of the issue:

① Remuneration to the directors and to the employees in 2017.

② Method to grant remuneration to the directors and to the employees in 2017.

③ Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.

④ Loaning of funds to others in 2018.

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Final decision resolved:

① Where the Company's chairman concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

② The issue was resolved exactly as proposed by all present directors in full.

③, ④Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

The 13th board of directors meeting of Session XXIII convened on May 8, 2018

Content of resolution proposal: Proposal for amending partial provisions of “wage workers cycle” and “investment cycle” under the internal control system and internal audit implementation details.

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Final decision resolved: The issue was resolved exactly as proposed by all present directors in full.

The 14th board of directors meeting of Session XXIII convened on June 28, 2018

Content of proposal: The review case on the circumstances of the company capital lending to others.

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Final decision resolved: Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

The 15th board of directors meeting of Session XXIII convened on August 9, 2018

Key points of the issue: The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Final decision resolved: Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

The 16th board of directors meeting of Session XXIII convened on September 26, 2018

Content of proposal:

① Proposal for an early across-the-board re-election of the 24th term directors and independent directors.

② Proposal for lifting the ban on incumbent twenty-fourth term directors (including the independent directors) and their representatives' forbidden to compete within the industry.

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Final decision resolved: The issue was resolved exactly as proposed by all present directors in full.

The 2nd board of directors meeting of Session XXIV convened on December 27, 2018

Key points of the issue: The plan to grant performance evaluation incentive award to managers in 2018

Independent directors' opinions: Nil.

Acts taken by the Company in response to Independent directors' opinions: Nil.

Resolution finding: Since the chairman also doubles as company president, director Wang Shun-hui being a blood relative within two tiers to the chairman, in compliance with legal stipulation, the chairman and the director need to recuse themselves and not participate in the discussions and voting, while the other three directors have motioning the proposal through without contest.

(2) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintain a qualified opinion with record or documented declaration in a decision resolved by the board of directors: Such fact is nonexistent in the Company.

2. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

(1) The 12nd board of directors meeting of Session XXIII convened on March 13, 2018

Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.

Key points of the issue:

① Remuneration to the directors and to the employees in 2017.

② Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.

③ Loaning of funds to others in 2018.

Causes of withdrawal from conflict involvement and participation in the voting process:

① Where the Company's chairman concurrently serves as the general manager, he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

②, ③ Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

(2) The 14th board of directors meeting of Session XXIII convened on June 28, 2018

Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.

Content of proposal: The review case on the circumstances of the company capital lending to others.

Causes of withdrawal from conflict involvement and participation in the voting process:

Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

(3) The 15th board of directors meeting of Session XXIII convened on August 9, 2018

Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.

Key points of the issue: The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan

Causes of withdrawal from conflict involvement and participation in the voting process:

Where the Company's chairman concurrently chairs by Hu Yu Co., Ltd., he is subject to withdrawal from conflict involvement according to law and should not participate in the voting process. The issue was resolved by all other present directors in full without an objection.

(4) The 2nd board of directors meeting of Session XXIV convened on December 27, 2018

Director subject to withdrawal from conflict involvement: Wang Hsun-Sheng.

Key points of the issue: The plan to grant performance evaluation incentive award to managers in 2018

Causes of withdrawal from conflict involvement and participation in the voting process:

Since the chairman also doubles as company president, director Wang Shun-hui being a blood relative within two tiers to the chairman, in compliance with legal stipulation, the chairman and the director need to recuse themselves and not participate in the discussions and voting, while the other three directors have motioning the proposal through without contest.

3. The targets to enhance the board function performance of the board of directors in the current year and recent year (e.g., setup of Audit Committee, upgrade of information transparency) and evaluation of the enforcement: In an effort to enhance the board function performance of the board of directors, the Company has duly enacted the "Specifications to govern meeting affairs of the Board of Directors" as the grounds. Besides, the Company has set up the Remuneration Committee to evaluate and reassess of the Company's remuneration policy and system. The present issue is, therefore, duly proposed to the board

of directors. In the very principle for transparent business operation with focus on shareholders' equity, the Company, on a regular basis, duly promulgates financial update and relevant significant issues into the Market Observation Post System (MOPS) and the Company's website.

(II) The operation of the Auditing Committee:

Information of performance by the Audit Committee

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

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A) (Note)	Remarks
Independent Director	Chen, Hung-Shou	5	0	100%	The re-appointment through re-election on November 14, 2018 (Required attendance: 5)
Independent Director	Wu, Su-Huan	5	0	100%	The re-appointment through re-election on November 14, 2018 (Required attendance: 5)
Independent Director	Pei, Min-Li	4	0	100%	The old tenure prior to November 14, 2018 (Required attendance: 4)
Independent Director	Chou, Yen Peng	1	0	100%	Appointment on November 14, 2018 (Required attendance: 1)

Other remarks:

- The audit committee's yearly working focus and implementation status:
  (1) The company audit committee is made up of the three independent directors and the audit committee serves to assist the management board to monitor the quality and honest/integral level at which the company conducts the accounting, auditing, financial reporting process and on financial controls.
  (2) The audit committee's review matters primarily include:
    - Yearly financial report and semiyearly financial report.
    - Internal control system and related policies and procedures.
    - Critical asset or derivative product trading and the operating procedure.
    - Critical capital lending and endorsement or guarantee, and the operating procedure.
    - Soliciting or issuing marketable securities.
    - Law compliance.
    - Matters involving the directors' own stake relation.
    - Fraud prevention plan and fraud investigation report.
    - Internal control system's effectiveness implementation and evaluation.
    - Existent or potential risk control.
    - The auditing CPA's exposure, independence and performance evaluation.
    - The Auditing CPA's appointment, dismissal or remuneration.
    - The appointment and dismissal of finance, accounting or internal audit executives
  (3) Review the financial statements:

  Where the board of directors works out and submits the Company's business report, financial statements (including individual and consolidated financial statements) and proposed distribution of earning for 2017; those financial statements (including individual and consolidated financial statements) have been duly audited and certified by Certified Public Accountants Lin Chun-Yao and Chang Shu-Chiung of PricewaterhouseCoopers Taiwan who, in turn, duly issued audit report. The foresaid operating report, financial statements (including the individual and combined financial statements) and earnings distribution proposal have been audited by the audit committee to ensure that they do not contain any discrepancies.

(4) Evaluate the internal control system's valid implementation and review:

The audit committee evaluates the effective implementation of company internal control system's policy and procedure (including finance, operations, risk management, outsourcing, legal compliance and related control measures), and also review the company audit department and auditing CPAs, as well as company management's routine reports, including risk management and legal compliance. By referencing the 2013 COSO-announced internal control system – internal control's integrated framework, the audit committee reckons that the company's risk management and internal control systems are effective and that the company has adopted the necessary control mechanism to monitor and also correct law breaching conducts. On Mar. 13, 2018, the first term seventh audit committee meeting has evaluated the 2017 internal control system's voluntary evaluation, and the evaluation finding has not uncovered any critical deficiencies, where the overall internal control system and related design and execution review findings have been effective, which has been motioned through for issuing the "2017 internal control system statement."

(5) The appointed auditing CPAs and their independence and performance:

The audit committee has been empowered to monitor the auditing CPA office's independent fiduciary responsibility, by which to ascertain the fairness of the financial statements. In general, besides taxation-related services or specifically approved service items, the auditing CPAs do not provide the company with other services. All services that the auditing CPAs Office provides need to gain the audit committee's approval. To ensure the auditing CPA office's independence, the audit committee references the Accountants Act article 47 and Accountants Occupational Ethics Guideline Journal article 10's "righteous, fair objectivity and independent" content to formulate the independent evaluation sheet, by which to evaluate the CPAs' independence, professionalism and competency, and to evaluate whether or not they are related mutually to the company as related parties, or with business or financial gain relations and other related items. On November 22, 2018, the first term first audit committee and on November 22, 2018 the twenty-fourth term first board meeting have reviewed and also acted through PcW Taiwan CPA Office's CPAs Lin Chun-Yao and Chang Shu-Chiung have all met the independence review criteria and are authorized to act as the company's financial and taxation auditing CPAs.

- The operation of the Auditing Committee in 2018:

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

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

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

Board of Directors	Details of the relevant agendas and the subsequent	Items listed in Article 14-5 of Securities and Exchange Act	Resolution matters not voted in favor by the audit committee, but approved by over two-thirds of the entire board seats
The 12th board of directors meeting of Session XXIII 2018.03.13	1. The business report and final account books in 2017.	V	Not applicable
	2. Issue of distribution of earning of 2017.	V	Not applicable
	3. Application by Hu Yu Co., Ltd. for an extension of guarantee for its loan.	V	Not applicable
	4. Loaning of funds to others in 2018.	V	Not applicable
	5. Declaration of Internal Control System in 2017.	V	Not applicable
	The resolution reached by the Audit Committee (2018.03.13): Approved with the consent of the board directors.		
	Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.		
The 13th board of directors meeting of Session XXIII	1. The proposal for amending the internal control system and partial provisions of the internal audit implementation details' "wage workers cycle" and "Investment cycle."	V	Not applicable

2018.05.08	The resolution reached by the Audit Committee (2018.05.08): Approved with the consent of the board directors.		
	Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.		
The 14th board of directors meeting of Session XXIII 2018.06.28	1. The proposal for reviewing the state of processing the company's capital lending to others.	V	Not applicable
	The resolution reached by the Audit Committee (2018.06.28): Approved with the consent of the board directors.		
	Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.		
The 15th board of directors meeting of Session XXIII 2018.08.09	1. The consolidated financial statements covering 2018 Q2.	V	Not applicable
	2. The guarantee for Hu Yu Co., Ltd. in its application for extension of the loan	V	Not applicable
	The resolution reached by the Audit Committee (2018.08.09): Approved with the consent of the board directors.		
	Measure by the Company in response to the opinions of the Audit Committee: The issue was duly resolved by all present directors in full amidst the unanimous accord.		

2. Fact of withdrawal from conflict involvement by the independent directors about the issues: Should expressly the names of independent directors, contents of the issues, causes of withdrawal from conflict involvement and fact of participation in voting process: Such fact is nonexistent in the Company.
3. Facts of communications by and between independent directors and Internal Audit Head as well as Certified Public Accountant(s) (should include issues regarding the Company's finance, financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof).

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

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

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

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

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

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

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

Date	Very highlights of communications	Recommended matters
Meeting of the Audit Committee on August 11, 2016	1. Description of the 2016 internal audit plan 2. Report about the performance in internal audit	None
Meeting of the Audit Committee on November 8, 2016	1. Tracing report about corrective action taken in response to defects found in the audit process 2. Submittal of the report about the outcome of risk evaluation and enactment of the internal audit plan for 2017.	None
March 8, 2017 Audit Committee	1. Submittal of the report about the outcome of self-performance in internal control system 2016.	None

	2. Report about the performance in internal audit.	
Meeting of the Audit Committee on May 11, 2017	1. Tracing report about corrective action taken in response to defects found in the audit process. 2. Descriptions of the submittal by the managers of the amendment to parts of the terms and conditions in the Internal Control System focusing on "Management on meeting affairs by the board of directors" and "Management over performance of the remuneration Committee".	None
August 9, 2017 Audit Committee	1. Report about the performance in internal audit. 2. Descriptions about the supervisory audit items, audit procedures and planning over subsidiaries in China.	None
Meeting of the Audit Committee on November 13, 2017	1. Descriptions about the outcome of supervisory audit over the subsidiaries in China, corrective actions taken in response to the defects found and the tracing report thereof. 2. Submittal of the report about the outcome of risk evaluation and enactment of the internal audit plan for 2018.	None
Meeting of the Audit Committee on March 13, 2018	1. Report about the performance in internal audit. 2. Submittal of the report about the outcome of self-performance in internal control system 2017.	None
May 8, 2018 Audit Committee	1. To describe the company's manager-presented "wage workers cycle" and "investment cycle" internal control system and the content and reason for amending the partial provisions of the internal audit implementation details. 2. Report about the performance in internal audit.	None
Meeting of the Audit Committee on June 28, 2018	1. Report about the performance in internal audit. 2. To describe the 2018 Mainland China's subsidies' governance field audit execution results and a follow-up report on the circumstances of the witnessed deficiency improvement.	None
August 9, 2018 Audit Committee	1. Report about the performance in internal audit.	None
Meeting of the Audit Committee on November 22, 2018	1. Report about the performance in internal audit. 2. Submittal of the report about the outcome of risk evaluation and enactment of the internal audit plan for 2019. 3. To present and describe promoting and implementing the 2018 internal control system voluntary assessment procedure and progress timetable planning.	None
Meeting of the Audit Committee on March 11, 2019	1. Report about the performance in internal audit. 2. Submittal of the report about the outcome of self-performance in internal control system 2018. 3. To describe the content and reason of amending partial provisions of the company manager-presented company "financial statements compiling process management operations," "capital lending to others operating procedure" and "endorsement/guarantee operating procedure's" internal control system and internal audit implementation details.	None

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

Date	Very highlights of communications	Recommended matters
August 11, 2016 Forum	1. To explain and communicate on the company's 2016 Q2 combined financial statements' audit report. 2. To describe the new edition of the CPA-audited report's preliminary framework.	None
The December 29, 2016 forum	Explanation and communications about the key points found in the Company's consolidated financial statement and individual financial statement of 2016 regarding the audit planning.	None
March 8, 2017 Forum	Explanation and communications about the key points found in the Company's consolidated financial statement and individual financial statement of 2016 regarding the audit planning.	None
March 13, 2018 Forum	1. Explanation and communications about the key points found in the Company's consolidated financial statement and individual financial statement of 2017 regarding the audit planning. 2. Brief introduction to the IFRS number 16 journal's concept and	None

	description on the evaluation on the aspects of how it affects the enterprise	
March 11, 2019 Forum	1. To describe and communicate on relevant matters concerning the company's 2018 combined financial report and individual financial report, audit planning, critical adjustment classification and unadjusted classification. 2. Describe the impact of IFRS 16 utilization right assets and leasing liabilities.	None

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

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	v		Through the Company's board of directors, the Corporate Governance Best-Practice Principles were duly enacted on November 12, 2014. Further on December 29, 2016 & December 27, 2018, the Corporate Governance Best-Practice Principles were duly amended and updated, as duly exposed through the Company's website http://www.ccpg.com.tw. Investors' special zone→ corporate governance, information declaration website designated by the competent authority in charge of the securities	Without a significant difference.
2. Shareholding structure and shareholders' equity (1) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? (3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	v		(1) The Company has duly set up spokesperson system, specially assigned personnel for equity affairs and shareholder services agent to jointly serve proposals posed by shareholders and respond to shareholders about their questions and relevant issues. Such issues that involve statutory problems or a dispute, litigation shall be referred to Attorneys-at-Law. (2) The Company firmly dominates all the time the shareholding facts by directors, managers and key shareholders holding more than 10% of the total shares. The Company duly declares such facts based on the laws and ordinances concerned. After the Company duly convenes shareholders' meeting, completes ex-dividend, ex-right affairs and discontinues stock transfer, the Company dominates the list of key shareholders and the final controllers based on the register of shareholders provided by the shareholder services agent. (3) Exactly in accordance with the laws and ordinances concerned, the Company has faithfully completed the risk evaluation amidst the affiliated enterprises and has duly set up the fire walls. In terms of substantial enforcement, the has duly enacted "Operating Procedures for Management over Transactions with Related Parties" and has duly regulated the input, output transactions, pecuniary transactions, endorsements/guarantees and granting of loans among the affiliated enterprises. Regarding supervisory monitoring over subsidiaries, amidst the Company's internal control system, the Company has duly enacted "Operating procedures of internal control system for supervisory monitoring over subsidiaries". The Company has covered supervisory affairs over subsidiaries into items of the Company's internal control system to put into implementation thoroughly the sound mechanism of control over subsidiaries. (4) The Company has duly stipulated "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" and "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and such internal	Without a significant difference.

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?</td><td></td><td></td><td>norms. The Company expressly bans inside personnel from using the information undisclosed to public but known to them into inside trading and further bans them from divulging such confidential information to others to prevent other people from using undisclosed information to engage in inside trading. The details of the operating are disclosed through the Company's website http: //www.ccpg.com.tw Investors' special zone → corporate governance.</td><td></td></tr>
<tr><td>3. The constitution and obligations of the board of directors
(1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?
(3) Will the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?
(4) Will the Company have the independence of the public accountant evaluated regularly?</td><td>v</td><td></td><td>(1) As expressly provided for in Article 20 of the Company's "Corporate Governance Best-Practice Principles" and Article 3 of "Regulations Governing Election of Directors", the director members should be under diversified, comprehensive composition and shall work out diversified, comprehensive and multifaceted policies regarding their own business operation, business types and requirements in future development with very key points focusing on gender, ages, nationalities and cultures and shall possess expertise and know-how, skills and attainment required for business performance. At the moment, the Company's incumbent directors hold the professional backgrounds covering economics, business administration, financial accounting, legal, applied chemistry, virtually satisfactory to the requirements in diversified, comprehensive and multifaceted requirements. Multivariate Policy of the composition of the board of directors, Both the Corporate Governance Best-Practice Principles and Regulations Governing Election of Directors are disclosed through the Company's website http: //www.ccpg.com.tw Investors' special zone → corporate governance.

Performance regarding whether the composition of the board of directors of Session XXIII meets the requirements of diversification:
(A) State of distribution on gender, nationality, industry experience and professional capability
<table>
<tr><th rowspan="2">The very core items in diversification / Director Name</th><th rowspan="2">Gender,</th><th rowspan="2">Republic of China nationality</th><th colspan="4">Industry experience</th><th colspan="4">Professional capability</th></tr>
<tr><th>Pharmaceutical biotechnology</th><th>Information technology</th><th>Accounting audit</th><th>International trade</th><th>operating strategy</th><th>Risk management</th><th>Finance and accounting</th><th>Laws</th></tr>
<tr><td>Wang, Hsun-Sheng</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Wang, Hsun-Hui</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Cheng, Hsi-I</td><td>Male</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Tsai, Ching-Chung</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Pei, Min-Li</td><td>Female</td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Wu, Su-Huan</td><td>Female</td><td>V</td><td></td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Chen, Hung-Shou</td><td>Male</td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr>
</table>
(B) By weighing on the company’s twenty-third term of the seven director members, director Pei Min-li and director Wu Shu-huan command ROC CPA qualification, director Tsai Ching-Chung command ROC pharmacist qualification; the ratio of employees commanding employee identity is at 0%, the ratio of independent directors is at 43%, ratio of female directors is at 29%; the three independent directors’ tenure seniority is at up to three years; three directors aged between 61 and 69, and four directors aged up to 60.</td><td>Without a significant difference.</td></tr>
</table>

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	

The twenty-fourth term directors' member makeup's diverse execution status:

(A) State of distribution on gender, nationality, industry experience, professional capability:

The very core items in diversification / Director Name	Gender,	Republic of China nationality	Industry experience: Pharmaceutical biotechnology	Industry experience: Information technology	Industry experience: Accounting audit	Industry experience: Legal affairs	Professional capability: operating strategy	Professional capability: Risk management	Professional capability: Finance and accounting	Professional capability: Laws
Wang, Hsun-Sheng	Male	V	V				V	V	V	
Wang, Hsun-Hui	Male	V	V				V	V	V	
Chen, Hung-Shou	Male	V		V			V	V	V	
Wu, Su-Huan	Female	V			V			V	V	V
Chou, Yen Peng	Male	V				V		V		V

Note: The twenty-fourth term directors appointed on November 14, 2018

(B) By weighing on the company's twenty-fourth term five director members, director Wu Su-Huan commands an ROC CPA qualification, director Chou Yen-Peng commands an ROC attorney qualification; ratio of directors commanding an employee identity is at 0%, the ratio of independent directors is at 60%, ratio of female directors is at 20%, with one independent director's tenure seniority at up to three years, two independent directors' tenure seniority at 4-6 years; four directors are aged between 55 and 60, and one director aged between 50 and 54.

(2) Exactly as required by law, the Company has duly set up Remuneration Committee and Audit Committee. The Company's Articles of Incorporation have expressly provided as well that the Company may set up other functional committees. In the future, given the purposes for wholesome and sound supervisory function to strengthen the managerial function and to live up to requirements by law, the Company will set up other functional committees as necessary.

(3) As the Directors' Meeting Performance Evaluation Measures have not yet been formulated at present, there are plans to formulate the measures in Q2 2019 and to conduct the performance evaluation in Q4.

(4) Pursuant to the "Corporate Governance Best-Practice Principles" stipulated by the Company, the Company shall assess and evaluate the independence of the Certified Public Accountants retained on a regular basis every year. On November 22, 2018, through the 1st meeting of Session II of the Audit Committee and the 1st meeting of Session XXIV of the Board of Directors, the issue to assess Certified Public Accountants' independence was officially resolved. As evaluated, the Company's attesting Certified Public Accountants have not served as a director of the Company, are not a shareholder of the Company and nor have they been salaried in the Company. The attesting Certified Public Accountants are independent in attribute without any doubt. The procedures for evaluation are enumerated below:

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>Auditing CPAs Lin Chun-Yao, Chang Shu-Chiung's independence and competency
<table>
<tr><th>Assessment items</th><th>Yes</th><th>No</th><th>Remarks</th></tr>
<tr><td>Having the attesting Certified Public Accountants not served with the Company, or not been a director or supervisor, independent director or managerial officer, of an affiliated enterprise of the Company?</td><td>V</td><td></td><td></td></tr>
<tr><td>Are the attesting Certified Public Accountants a shareholder of the Company or an affiliated enterprise?</td><td>V</td><td></td><td></td></tr>
<tr><td>Are the attesting Certified Public Accountants salaried in the Company or an affiliated enterprise?</td><td>V</td><td></td><td></td></tr>
<tr><td>Have the attesting Certified Public Accountants not rendered auditing services to the Company for seven years in a row?</td><td>V</td><td></td><td></td></tr>
<tr><td>Have the attesting Certified Public Accountants verified that their Certified Public Accountant Office has duly complied with the relevant independence specifications?</td><td>V</td><td></td><td></td></tr>
<tr><td>Has a Co-Certified Public Accountant serving with the attesting Certified Public Accountant Office served with the Company as a director or supervisor, managerial officer or a position with significant impact upon the audit cases within one year from quitting the Certified Public Accountant Office?</td><td>V</td><td></td><td></td></tr>
</table></td><td></td></tr>
<tr><td>4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders' meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders' meeting)?</td><td>v</td><td></td><td>The company has designated division director Huang Yi-Chun to also serve as the company governance administrator to safeguard the shareholders' equity and also strengthen the management board's fiduciary functions. Division director Huang Yi-Chun commands open listed companies in finance, shareholders' services, meeting and related management work experience for over three years. Company governance personnel's primarily fiduciary duty has been to supply data needed for the directors, independent directors to execute the operations, assist the directors, independent directors in legal compliance and convene the board meeting, audit committee, independent committee, shareholders' meetings and related matters in compliance with the law.
The 2018 operations execution status is as follows:
1. To assist independent directors and general directors execute their fiduciary duties, supply the needed information and also arrange for the directors to receive training:
(1) To routinely notify the management board members, focusing on company management domain and company governance-related latest legal/regulatory amendment developments.
(2) To review relevant information's confidentiality level and also supply the directors' required company information, by which to maintain a smooth communication and exchange among the directors and various operations executives.
(3) The independent directors adhere to company governance practical implementation guidelines to meet with internal audit head or the auditing CPAs individually to decipher to assist arranging relevant meetings as needed by company financial operations.
(4) To assist the independent directors and general directors formulate the yearly study plan and arrange for the courses in accordance with the company's industry characteristics and the director's education, exposure background.</td><td>Without a significant difference.</td></tr>
</table>

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			2. To assist the management board, audit committee and shareholders' meeting proceedings' resolution compliance matters: (1) To report to the management board, independent directors, audit committee on company governance operating status, ascertain whether or not the company shareholders' meeting and management board's convening comply with thw relevant laws and regulations and company government guideline stipulations. (2) To assist and also remind the directors on the legal guidelines to be abided by when executing the operations or when the management board formally votes on resolutions and also present recommendations if the management board votes on illegal resolutions. (3)To be responsible after the meeting to revalidate the management board's critical resolution information announcement matters, by which to ascertain the adequacy and correctness of the information content, to safeguard the quality of the investors' transaction information. 3. To maintain investors relations: depending on the need, to arrange the directors and major shareholders, institutional investors or general investors to exchange and communicate, enabling the investors to be able to derive sufficient formation to determine the enterprise's rational capital market value and also ensure a proper safeguard of the shareholders' equity. 4. To formulate the board meeting agency and notify the directors seven days in advance, convene the meeting and also supply the meeting data, and if certain subjects require recusal on gains, to remind the directors of such and also complete the board meeting's minutes within twenty days following the meeting. 5. To formulate the audit committee meeting agency and notify the various committee councils seven days in advance, convene the meeting and also supply the meeting data, and if certain subjects require recusal on gains, to remind the council of such in advance, and to complete the audit committee's meeting minutes within twenty days after the meeting. 6. To process the shareholders' meeting date's pre-registration in compliance with the law, produce the meeting notice, meeting agenda manual, meeting log within the legally designated period and also process the change registration matter when the articles of incorporation have been amended or the management board has been reelected.	
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	v		1. Shareholders, correspondent banks and other creditors: In the open and faithful principle, the Company provides finance, business related information in real time to enable them to get fully aware of the Company's substantial business performance. 2. Suppliers in business: The designated departments and personnel are assigned to take charge of communications, coordination and contact with them all. The both sides have remained in very sound interactions. 3. Employees: The Company highly encourages the entire staff to communicate with the management level directly. Further through the sound channels and platforms including meetings on a regular basis, interchange forums for interchange with employees, corporate electronic journals, the entire employees have been fully aware of the Company's business performance. 4. Investors and general public in the society: The Company has duly set up official website to assure adequate disclosure of the Company's business performance, finance related information. The Company is in adequate expression about the Corporate Social Responsibility (CSR). 5. In the Company's website, we have set up a special zone aiming at interested parties. That zone contains explanation about the key issues of public concern. The Company has further provided coordinators (contact persons) for a variety of special issues to set up sound channels for communications with the interested parties. Whenever an	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			interested party develops any problem, he or she may contact the Company at any time and the Company will settle the issue and respond to the proposing interested party in real time as well. Method for logging into the company stakeholders dedicated area: log into the company Internet website at http://www.ccpg.com.tw , click the stakeholders dedicated area or investors dedicated are (click on and choose company governance). 6. The Company has completed compilation of Corporate Social Responsibility (CSR) Report for 2017 wherewith the Company offered description in detail regarding key Corporate Social Responsibility (CSR) issues. That Report has been set up at the Company's website to enable the interested parties and general public investors to well understand the key issues concerned. The 2017 enterprise social stewardship The report is disclosed on the company website, http://www.ccpg.com.tw (the social stewardship dedicated area).	
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	v		The company, in processing shareholders' services, has appointed professional shareholders' service underwriter to process the work, which is processed by Fubon Securities Co., Ltd. shareholders' service department, which underwrites the company's shareholders' service-related administration.	Without a significant difference.
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance information disclosed? (2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	v		(1) The Company's financial information, corporate governance related information have been disclosed through the Company's website http://www.ccpg.com.tw Investors' special zone. (2) Exactly as required by laws, the Company has disclosed relevant information through the Market Observation Post System (MOPS) either on a regular basis or from time to time on a nonscheduled basis. The Company has further assigned specially assigned personnel to take charge of collection and disclosure of such information to assure that the policymaking process related information that would have an impact upon shareholders and interested parties could be disclosed in an appropriate manner in real time. Through the "Operating procedures to deal with the significant internal information with efforts to prevent inside trading" stipulated by the Company, the Company has expressly specified setup and performance of the spokesperson system. Through the investors' special zone of the Company website, the Company provides link to the procedures of the juristic person explanation meeting. The Company has set up website in English wherewith the Company's financial information and corporate governance related information have been duly disclosed. http://www.ccpc.com.tw/index.aspx	Without a significant difference.
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations,	v		1. Employees' interests, warm concern toward employees: (1) Toward planning of human resources related managerial systems, the Company has faithfully complied with the "Labor Standards Act" and the laws and ordinances concerned, and, exactly according to law, the Company has duly appropriated pension reserve fund into the Trust Department of Bank of Taiwan or into the specially designated (earmarked) accounts of employees for pensions. (2) The Company provides multivariate channels for communications to assure that all employees oriented information could be	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			transmitted in real time to enable employees to have their opinions and voices adequately submitted to be taken as the grounds for better performance in a variety of measures. The Company has set up "Employee Welfare Committee" wherewith the Company offers relief allowances in case of an emergency, gift money for three Festivals (Chinese New Year, Dragon Boat Festival and Mid-autumn Festival), staff tourism allowances. Moreover, toward each and every employee, the Company purchases insurance policy against accident risks and offers health examinations with the Company fund. 2. Relationship with investors: Through the Company's website http://www.ccpg.com.tw, the Company has provided Investors' Special Zone to update a variety of financial information on a regular basis, discloses relevant information into the Market Observation Post System (MOPS) in real time to enable the general public investors to better understand the Company's business performance. Further through the shareholders' regular meetings, juristic person explanation meeting and the spokesman, the Company assures very sound communications with investors. 3. Relationship with suppliers: The Company has been in business with suppliers for years and has maintained very close and pleasant ties with suppliers. 4. Interests of the interested parties: The Company makes public the phone numbers and e-mail addresses of the spokesman (or acting spokesman) as well as shareholder services agent to take charge of issues and proposals linked up with shareholders and interested parties. Where an issue involves legal key point, that issue would be referred to the Attorney-at-Law to soundly assure interests of the interested parties. 5. Statistics of higher education by the Company's directors and independent directors in 2018: (1) Chairman -Wang Hsun-Sheng ①Enterprise merger value realization – 3 hours. ②Corporate Law amendment and response – 3 hours. (2) Director- Wang Hsun-Hui ①Enterprise merger value realization – 3 hours. ②Corporate Law amendment and response – 3 hours. (3) Independent director: Chen Hung-Shou ① Enterprise merger's practical implementation and case example sharing – 3 hours. ② The prevention of enterprise internal fraud, instilling a whistleblower system and how the directors/auditors assist the company confront the issue – 3 hours. (4) Independent director: Wu Su-Huan ① Figure analysis deciphering, financial process and financial fraud detection – 6 hours. (5) Independent director: Chou, Yen Peng ① Directors and auditors' practical implementation advanced symposium – 3 hours. ② Company governance – 3 hours. 6. Risk management policies and performance in risk measuring criteria: Continually without interruption, the Company carries out risk management oriented managerial mode and sets up a sound risk management mechanism to assure early identification of a risk, accurate measurement of a risk and effective supervision and strict control over a risk to set up overall risk managerial system to assure that all potential risks would be controlled within the tolerable scope. Further through the expert managerial consultant houses, we bring in optimal practice for risk management for continued corrective actions. The Company's Audit Department takes into account all potential risks that the Company's businesses might face up, either high or low, as the very grounds to map out the Company's annual audit programs. Routinely, whenever an abnormality is noticed in the auditing process,	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			the competent department(s) and supervisory head(s) shall be notified forthwith with continued follow-up efforts until the corrective action is satisfactorily accomplished and until the abnormality ceases to exist. 7. Implementation of the policies toward customers: The Company spares no effort to strive for innovation, research & development, services and upgrade of quality to promote the most advanced medical care, health-enhancement and services available to hospitals of all levels and to each and every household to be closely associated with human health. As the Company exerts effort in the policy to make perfection more perfect in human resources, manufacture of products, services, procedures and research & development, we earnestly hope to accomplish the highest efficacy and user satisfaction and to win added trust from all customers concerned. 8. The Company has procured liability insurance policies for all directors (including independent directors) and managers. Such key issue was already reported in the 15^{th} meeting of Board of Directors in Session XXIII convened on August 9, 2018.	

9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures.

Corrective actions having been satisfactorily accomplished in response to the outcome of corporate governance assessment:

Target items in the assessment:	Rectification
Did the Company upload it to the Annual Report in English version seven days prior to the shareholders' regular meeting?	The Company already duly worked out Annual Report in English version 2016 in 2017 and uploaded it to the Market Observation Post System (MOPS) accessible to all shareholders seven days prior to the shareholders' regular meeting 2017.
Did the Company upload the notice to the shareholders' meeting in English version simultaneously 30 days prior to the shareholders' regular meeting?	The Company already duly worked out notices to shareholders' regular meeting in English version in 2017 and uploaded it to the Market Observation Post System (MOPS) accessible to all shareholders 30 days prior to the shareholders' regular meeting 2017.
Did the Company upload the Meeting Agenda Handbook and supplementary data for the meeting in English version simultaneously 21 days prior to the shareholders' regular meeting?	The Company already duly worked out Meeting Agenda Handbook and supplementary data for the meeting in English version in 2017 and uploaded it to the Market Observation Post System (MOPS) accessible to all shareholders 21 days prior to the shareholders' regular meeting 2017.
Did the Company simultaneously declare significant information in English?	Since the third quarter, 2016, the Company has declared significant information in English through the Market Observation Post System (MOPS) simultaneously.
Through the Annual Report, did the Company disclose discussions about the facts through macroeconomy and the trends where the Company's industry is in?	In the special part of "business performance in summary" of the Company's Annual Report 2016, the Company already made an overall disclosure about the facts through macroeconomy and the trends where the Company's industry is in.
Has the Company stipulated policies toward energy saving & carbon reduction, reduction in greenhouse gases, reduction in water consumption or other wastes?	The Company already set up relevant environmental managerial system and disclosed it in full through the Corporate Social Responsibility (CSR) Report 2015. The managerial targets were already disclosed it in full through the Corporate Social Responsibility (CSR) Report 2016.
Has the Company disclosed its fringe benefits for employees, retirement system and the enforcement thereof through the Company's Annual Report and website?	The Company has duly disclosed in full its fringe benefits for employees, retirement system and the enforcement thereof through the Company's Annual Report, website in the special zone of human resources.
Has the Company been invited to (participating in its initiative) or convened two juristic person explanation meetings minimum?	In 2018, the company has held the institutional investors presentations twice.

The items based on the outcome of the corporate governance assessment with corrective actions having not been satisfactorily accomplished, and the measures which should be preferentially strengthened:	
Target items in the assessment:	Items and measures which call for preferential reinforcements:
Has the Company disclosed integral financial statements (including both the financial statements and notes to financial statements) in English through the Company's website or Market Observation Post System (MOPS)?	The Company discloses financial statements in full in English exactly in accordance with need in business operation and requirements by laws.
Has the board meeting performance evaluation measures and procedure that the company has formulated clearly stipulate that an external evaluation be executed at least once every three years?	The company has plans to complete formulating its “management board voluntary assessment or peer assessment” measures in Q2 2019.
Does the company routinely (at least once in a year) execute management board performance evaluation and also disclose the evaluation findings on the company website or in its yearly report?	The company has plans to implement, execute the management board performance evaluation in 2019 Q4, and also disclose the evaluation findings on the company website or in its yearly report.

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

1. Information on the members of the Remuneration Committee

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

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

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

(1) Not employed by the company or any of its affiliated companies.

(2) Not a director or supervisor of the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.

(3) Does not hold more than 1% of the company’s outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.

(4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.

(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.

(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.

(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein.

(8) Does not meet any descriptions stated in Article 30 of The Company Act.

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee has three Committee members in total.

(2) Tenure of office of Committee members in the current session: November 22, 2018 ~ November 13, 2021. In 2018, the Remuneration Committee convened meetings twice (A). The qualifications and participation facts of the Committee members are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Convener	Pei, Min-Li	1	0	100%	The old tenure prior to November 22, 2018 (Required attendance: 1)
Convener (newly appointed)	Chen, Hung-Shou	2	0	100%	The re-appointment through re-election on November 22, 2018 (Required attendance: 2)
Members	Wu, Su-Huan	2	0	100%	The re-appointment through re-election on November 22, 2018 (Required attendance: 2)
Members	Chou, Yen Peng	1	0	100%	Appointment on November 22, 2018 (Required attendance: 1)

Other remarks:

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

Remuneration Committee	Details of the relevant agendas and the subsequent	Resolution	The company's response to the wage/remuneration committee's opinions
The 4th board of directors meeting of Session III 2018.03.13	1. To review the 2017 directors remunerations and employee remunerations allocation plan proposal.	Approved with the consent of the board directors.	To present it before the management board for the entire directors present to motioning through in favor.
The 1st board of directors meeting of Session IV 2018.12.27	1. To review the 2018 managers' evaluation bonus release plan. 2. To review the various 2019 planned wage/ remuneration items to be implemented. 3. To discuss the wage/remuneration committee's 2019 work plan.	Proposals 1 to 3 have been approved with the entire committee members present voting in favor. Recommendation: There are plans to recommend that the company re-review the existing employees incentive measures, in anticipation of	Proposals 1 to 3 have been approved with all the entire directors present voting in favor. The committee's recommendation proposal: There are plans to

		excelling company operations growth through an incentive policy, and to recommend for evaluating an adequate management consulting firm to spearhead the human resources review, by which to present talent motivation measures and retention plans.	convene a human resources plan review meeting in midyear 2019.

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

Corporate Social Responsibility

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

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
punishment system been established?			operation. For which, the company has not only formulated comprehensive internal management measures, to steer management board operations to comply with the relevant legal/regulatory stipulations, for achieving a perfecting governing mechanism, and would also continue to materialize an honest, integral company management culture in the future, by integrating "selfless honesty for benefiting societal denizens" as its business operating philosophy, which will enable the company to truly become a "most trustworthy health enterprise in Mandarin-speaking realms." Under directions through the board of directors, all relevant units have implemented a variety of activities and programs. The contents and benefits so yielded are reported into the Company's board of directors. We have worked out statistics to reassess the substantial benefits in our implementation of the Corporate Social Responsibility (CSR) and, meanwhile, set up targets for future efforts. (2) In each and every year, the Company has worked out sound educational & training programs. We have set up special duty oriented Human Resources Department to take charge of professional training programs and on-the-job general educational & training programs. Through the well schemed educational & training programs, the arrange the Corporate Social Responsibility (CSR) curricula to enable the entire staff to make full awareness of the significance and importance of the Corporate Social Responsibility (CSR). (3) On company social stewardship promotion and execution aspect, the company has founded a full-time "enterprise social responsibility committee" entity, charged with overseeing company social stewardship policy, system or pertinent management focuses and a tangible promotion plan's presentation and execution, as well as routinely report (at least once every year) the yearly execution plan and findings before the management board. The company has in 2014 completed formulating its "enterprise social responsibility practical implementation guide", and in December 2016 amended partial provisions for the first time, and also presented it for motioning in favor before the management board. The company has in 2018 compiled and produced its 2017 enterprise social stewardship report, and also reported its 2017 execution plan and results before the June 28, 2018 management board (for the content of the report, refer to VI. Other critical information conducive to deciphering the state how the enterprise social stewardship has been operated for details). The 2017 enterprise social stewardship report is disclosed on company website, at http://www.ccpg.com.tw (the social stewardship dedicated area). (4) The Company's policy about remuneration to employees: Regarding the remuneration to employees, the Company's Articles of Incorporation expressly provides in Article 32: From the profit earned by the Company in a year, a sum ranging from 1% to 15% shall be appropriated as remuneration to employees and a sum within 3% maximum shall be appropriated as remuneration to directors and supervisors. Where the Company remains in an accumulated loss, the Company shall first retain the sum required to make up the loss. The remuneration to employees may be granted to employees of subordinate companies who satisfy the specified requirements. (1) The salary structure of employees is devised based on attributes and position ranks of the duties, including base salary, allowances (allowances for position ranks, allowances for licenses/certificates, allowances as overtime pays, allowances for extraordinary working circumstances), incentive awards (incentive for performance, incentive for performance evaluation and special incentives). The base salaries are granted on	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			a monthly basis to regular employees within the organization chart The salary for extended services (overtime pay) is duly counted and granted in accordance with the Labor Standards Act and other laws and ordinances concerned. The business units grant performance incentive awards pursuant to accomplishment by employees under the specified targets. At end of every year, the Company evaluates employees about their performance, interactions with their supervisory heads, teamwork performance and accomplishment of assigned duties and grants year-end bonus accordingly. In case of extraordinary contributions, the Company would report to the chairman for approval to grant extraordinary incentives. (2) The Company's employees are duly granted a raise based on the rising consumer price index as the grounds for counting, with reference to the Company's profitability and outcome of the employees' performance evaluation. In 2016, the Company's employees were granted a raise at 5%. In 2017, other than the shareholding incentives granted by the Company, employees received a raise at approximately 3%. In 2018, the Company's employees were granted a raise at 5%.	
2. Development of a sustainable environment (1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental? (2) Does the Company have an appropriate environmental management system established in accordance with its industrial character? (3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	v		(1) Amidst the Company's policies to maximize efficiency of a variety of resources and minimize the costs, the Company under sound planning replaces and updates production machinery & equipment, and retires heavy-energy consuming old machinery & equipment. Meanwhile, the Company well designs environmental protection oriented packaging. For all the Company's plants and offices, the Company continually implements a variety of energy conservation measures through, for instance, setup of electronic document systems, minimization of paper consumption, classified collection of wastes, reuse of recycled water, improvement in air conditioning and illumination efficiency. Through all such efforts, the Company endeavors toward sustainable development. (2) The Company's system toward environment management 1. Prevention and control of water pollution: The Company already set up waste water disposal equipment for Shin Fong Plant Zone where the Quality Assurance Department conducts sample check and inspection over the condition of water quality to make sure that all waste water so discharged thereby is satisfactory to the criteria for discharge. Both Taichung Plant Zone and Tainan Plant Zone are located inside industrial park areas where the waste water is securely disposed through the water disposal machinery & equipment of the industrial park areas. 2. Prevention and control of exhaust gas pollution: Establishment of air pollution control machinery & equipment. 3. Industrial waste disposal: In all plant zones, the Company faithfully disposes industrial waste water exactly in accordance with the waste disposal programs by commission qualified professional environmental protection firms for professional disposal. Still, we faithfully trace and dominate the final whereabouts of the industrial waste water. 4. In both the Head Office and the respective plant zones, the Company has duly staffed special duty oriented personnel to take charge of promotion and implementation of environmental management and safety & health affairs. Such special duty oriented units: In the Head Office-Human resource and Administrative Department. In respective plant zones-The Engineering & General Affairs Departments. (3) The global climate change might incur acts of God or disaster by nature that might have a direct impact upon the Company's business operation. Besides, such climate change might, as well, lead to prevalence of diseases, rise of prices in bulk pharmaceutical chemicals (BPC) or even discontinuity in supply and such indict impacts. Here at the Company, the Marketing Planning Department and Procurement Department seriously watch climate changes the world over and the updates of bulk pharmaceutical chemicals (BPC) supply, with sound analyses on the potential impact upon the Company's business operation and	Without a significant difference.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			with sound countermeasures. As always, the Company has been serious about energy saving & carbon reduction and greenhouse gas reduction and put forth maximum possible efforts in energy saving & carbon reduction.	

1. Hands-on implementation of energy saving & carbon reduction: Through an overall implementation, we have duly set up electronic documentation system to minimize paper use and minimize printing through printers and copying machines. In summertime, we soundly control the room temperature to assure most effective possible use or energy to accomplish the goals of energy saving & carbon reduction.
2. Implementation in water use minimization: Here at the Company, we launch an overall adoption of and replace step-by-step into water conservation machinery & equipment to minimize water consumption. In respective plant zones, we have, step-by-step, installed waste water recycling machinery & equipment which recycle, and treat waste water for our multiple reuses of water resources.
3. Implementation of wastes: (1) We team up with long-term bulk pharmaceutical chemicals (BPC) suppliers to carry out containers and packaging materials retrieval, recycling and reuse programs. Through such mechanism for recycling and reuse of raw materials, we minimize the consumption of resources. (2)Disposal of waste by the Head Office and respective plant zones, the Company has set up resource reclassification sites and put into implementation thoroughly resource classification. All post-reclassification waste and resources are commissioned to qualified and professional environmental protection firms for sound disposal. (3) In the aspect of product packaging design, we try hard to summarize the design into environmental protection oriented modes to minimize use of packaging materials. As far as possible, we recycle the packaging materials into reuse to minimize the impact upon ecological environments.
4. Implementation of greenhouse gases minimization: In all offices and plant zones, the Company firmly implements energy conservation measures and re-optimizes production process to minimize energy and minimize discharge of greenhouse gases.
   Statistics of discharges in greenhouse gases in the Company's key strongholds in 2017 and 2016

Scope	Sources of discharge		Annual emission in 2017 Ton CO2e	Annual emission in 2016 Ton CO2e
Scope I Direct emission	Fixed-site combustion	Fuel oil	3,023	5,615
		Diesel	636	691
	Mobile combustion	Diesel	4	4
	Emission in manufacturing process	None	0	0
	Dissipation & emission	Not yet covered into greenhouse gas inventory-check	---	---
Scope No. II Indirect emission of energies	Outsourcing electric power		9,858	9,773
Scope No. III Other indirect emission	Not yet covered greenhouse gas inventory-check		---	---
Total			13,521	16,083

Note: The greenhouse gas discharge volume of a variety of emission sources were counted with reference to the coefficients promulgated by the Environmental Protection

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			Administration and the Bureau of Energy. In the days and years ahead the Company shall conduct greenhouse gas inventory-check to prevent a potential omission of an emission source. Based on the outcome of the inventory-check analyses, the Company shall implement relevant minimization plans as a faithful fulfillment of Corporate Social Responsibility (CSR).	
3. Enforcement of social justice (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly? (3) Does the company provide the employees with a safe and healthy working environment, and also administer routine safety and health education to the employees? (4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means. (5) Does the Company have an effective career capacity development training program established for the employees? (6) Does the Company have the relevant	v		(1) Toward hiring, employment and management over human resources, the Company, as always, duly complies with Labor Standards Act, Act for Gender Equality and other labor related laws and regulations. The Company has further stipulated Working Regulations. For promotion, assignment, performance management, salary management, performance evaluation incentives, retirement, training programs and the like, the Human Resources Evaluation Committee has stipulated managerial regulations. The Company's human right policies: (A) In an effort to safeguard employees in their fundamental human rights and create a working ambiance with adequate protection of human rights, the Company backs up and firmly support" Universal Declaration of Human Rights of the United Nations", "The UN Global Compact", "International UN Labor Organization Pact" and such human right pacts promulgated in the international community. Externally, the Company completely eradicates any acts and behaviors infringement upon or in contravention of human rights. Thanks to such sound policies and efforts, all in-house members and outside interested parties are treated in a fair and respectful terms. These are the very key objectives behind stipulation of such policy. (B) The present policy is equally applicable to all CCPC subsidiaries, affiliates, juristic persons and foundations directly donated and set up by the Company and other organizations and juristic persons similar to a company. (C) In this well diversified CCPC family, under no circumstances shall an employee or any single person is under discrimination as a result of gender, sexual orientation, ethnic races, class, ages, marital status, languages, religion, partisanship, birthplaces, native places, appearance, physical organs, mentally and physically handicapping fact or union membership. The Company faithfully complies with gender equality related laws and ordinances. The Company does not hire a child worker, does not maltreat employees and assures fair and sound opportunities in hiring opportunities, salary pay, educational & training programs, performance evaluation and chances for promotion. Under such sound, fair and wholesome working ambiance, we further offer sound working conditions and grievance channels to speak up their complaints. Thanks to the efforts by and between the labor the management, CCPC is a respectful, safe, secure and equal working environment absolutely free of harassment. (D) Here at CCPC, we honor and support all employees to organize and join union(s). Amidst the harmonious working environment, we offer and back up sound and smooth channels for communications with the Union(s) and the employees, i.e., the Union members. (E) The Company has, exactly pursuant to the environment related laws and regulations enacted and promulgated by the nation, put forth maximum possible efforts to conserve national environments. During the process of sustainable development, we simultaneously accomplish the goals of sustainable environments. (F) In an attempt to safeguard customers, employees and all interested parties linked up with the Company's business	Without a significant difference.

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes?
(7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms?
(8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society?
(9) Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have significant impact on the environment and society?</td><td></td><td></td><td>operation in their privacy, we have set up sound and comprehensive managerial mechanism for information security. Besides, we commit ourselves to strict compliance with all control and safeguarding measures to assure their sound privacy.
On which, the company would continue to care for the human rights issue, by putting forth its best efforts to tangibly achieve the corporate stewardship.
(2) The Company has set up the Labor Committee and the Union which convene meetings on a regular basis. Inside the Company, we have set up sound platforms where employees may interchange among themselves. We provide employees with sound channels for the employees to communicate themselves. Through electronic document systems, we will transmit business operation related updates so that all employees are kept known about the Company's substantial performance in real time. In the special field for interested parties in the Company's website, we expressly disclose information through which employees can fully communicate themselves. We provide special mail box and phone number where we assign special duty oriented unit(s) or personnel to thoughtfully listen to employees about their grievance and complaints as well as their report of negative facts.
(3) We provide employees with safe, sound and healthful working environments.
To assure safety & health care and protection over employees, here in the Company, "Labor Safety & Health Committee" and safety & health supervisory heads and safety & health managerial members have been set up and staffed in all plant zones to conduct safety & health examinations on a regular basis and submitted the records of safety & health examinations to the Labor Inspection Institution of the Ministry of Labor. Besides, the Company arrange and sponsor safety & health oriented educational & training programs to assure sound working environments and employee health.
The safety & health protection and health rendered to employees include:
1. Procurement of dusk masks, helmets, footwear and gloves which are provided to all employees into use. 2. For hazardous machinery & equipment, the Company assigns qualified professional technicians to conduct maintenance & upkeep services and inspection on a regular basis and to take charge of routine operation and management. All such technicians receive higher educational & training programs under the Company's arrangement. 3. The Company sets up warehouses for hazardous substances which are under prudential management by special duty oriented colleagues who hold required licenses/certificates. 4. The Company sets up sound explosion-proof lights and blast-resistant doors as well as such high-tech facilities. 5. Under the Company's arrangements, all employees receive safety & health oriented educational & training programs on a regular basis. 6. On a regular basis, the Company takes charge of cleansing, inspection to assure security and firm performance of the entire environments and equipment. 7. All employees serving with all plant zones receive sound labor health examinations on an annual basis. 8. The Company provides sound channels readily available for grievance in case of a sexual harassment through phone number, fax number, grievance mail box, e-mail. Besides, the Company further sets up "Workplace Sexual Harassment Grievance & Settlement Committee" which takes charge of investigation, settlement and evaluation of sexual harassment grievance cases.
(4) The efforts to set up sound mechanism to employees for communications on a regular basis.
To assure harmonious labor relationship to enhance sound teamwork by and between the labor and management to maximize efficiency at work, the Company has set up unions for the</td><td></td></tr>
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Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			respective plant areas. Those unions sponsor labor-management conferences in accordance with the Union Organizational Act. Inside the Company, we have set up "Employee Exchange Platforms" and "Mail Boxes for Opinions Heard in the Plant Zones" wherewith the entire staff members in the CCPC Family could speak out freely what they have in mind. Further through electronic document system, the Company transmits all messages and updates regarding business performance. Thanks for such efforts and facilities, the entire CCPC staff members are kept informed of the CCPC updates in real time. In case of a significant policymaking decisions regarding CCPC management, we would keep the entire staff members informed in real time through illustration or presentation meeting. (5) Cultivation & training programs for employees We have worked out sound cultivation & training programs for short-term (to lay foundation), mid-term (to grow) and long-term (to further develop) for employees in various job positions to help employees boost productivity, product yield rate and team cohesion. 1. In terms of short-term programs: (1) With reference to the outcome of performance evaluation rendered by all department heads and evaluation of technical systems, we evaluate employees in each and every position category in two capability items, i.e., professional skills and general know-how and the gaps of their actual expertise and the requirements. Accordingly we carry out reinforcement educational & training programs either inside or beyond CCPC. (2) On the grounds of the production, quality control and sales skills oriented to new products of a year, the Company would arrange relevant employees into the professional cultivation & training programs. (3) In response to machinery & equipment newly procured by the Company in a year, the Company would arrange relevant employees into the professional cultivation & training programs to help employees enhance their capability to operate and use such newly equipped machinery & equipment. (4) In response to a change in the laws and ordinances concerned inside the Company and identification of new literatures, the relevant staff members would be arranged training programs either inside or beyond the Company. 2. In terms of mid-term and long-term training programs: (1) On the grounds of the Company's vision and strategic maps, the Company would devise and launch general educational curricula in three phases in nine years for the reserve cadres and executive heads in various levels. The Company also arranges the staff members to receive in-house training programs for the special skills in various levels. (2) Exactly based on the short, mid- and long-term targets, the Company would map out sound plans for manpower requirements. (3) The Company has executed contract with Yuan Ze University to sponsor two-phase special programs for EMBA Human Resources and organizational management credits. (4) In an effort to reserve sound human resources on business administration and special skills as required by various units in the future, the Company offers and grants pecuniary subsidy to employees for higher educational & training programs at home and abroad exactly in accordance with "Regulations Governing Incentives Granted to Encourage Employees into Higher Education". (5) To meet the need for the Company's business operation ready to get geared with the international community, the Company sponsors training programs in English. (6) "We strive for better lifestyle for humans and into more secure and more healthful tomorrow through health-related products and services". Under our such very essential corporate philosophy, we	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
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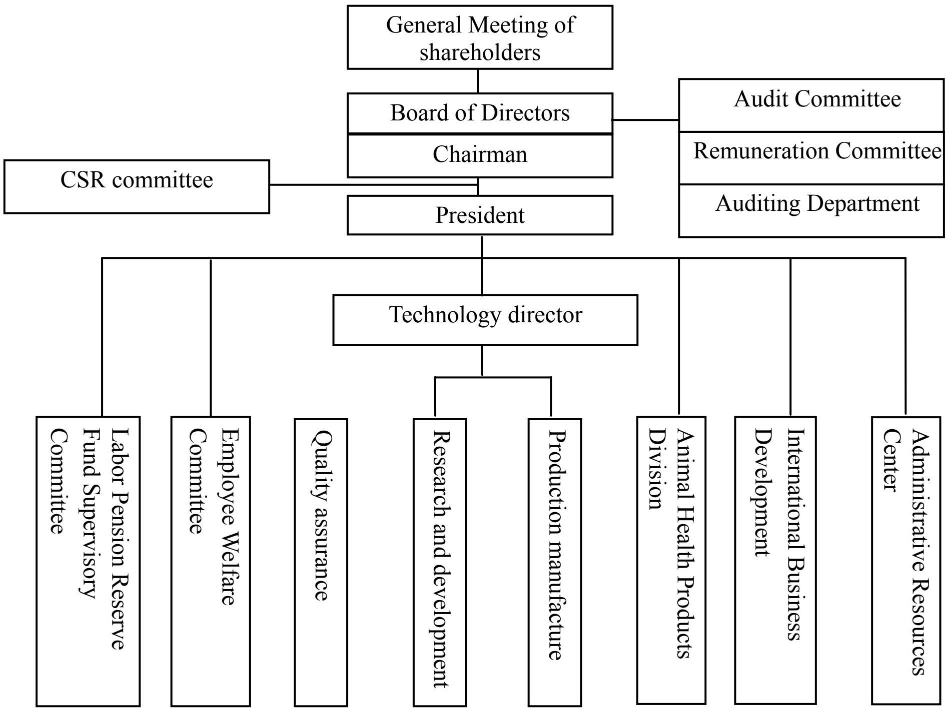
			put forth maximum possible efforts to accomplish our utmost goals of "maximum possible satisfaction to customer", "quality first". Through our exclusive corporate website, we integrate all affiliated enterprises into a whole to render best possible services toward customers. We devise and provide special customer service lines and e-mails for human oriented products, health-care substances, health fitness items, animal health products, household articles, beauty makeup supplies and home nursing-care services. Through special duty oriented personnel, we render professional consultation services and thoughtful services in case of customer complaint issues. Through the special zone of interested parties amidst the Company's website, we disclose the information of the sound channels we provide to communicate with customers. We also provide complaint report mailbox where our special duty oriented personnel are assigned to serve customers in their grievance and complaint reports. (7) The pharmaceuticals manufactured by CCPC entirely differ from general food available in markets. For our products, we strictly check and verify in every level based on the strict laws. Such exceptional strict control process is equally applied toward our pharmaceutical packaging. For all our pharmaceuticals, the instruction leaflets, labels and packaging shall satisfy the requirements set forth under Article 75 of the Regulations for Registration of Medicinal Products and all entries shall be provided exactly in accordance with the items approved by the central government level competent authority in charge of health affairs. These facts explain why CCPC products are assured to 100% satisfactory to the government specifications, absolutely not in contravention of laws governing merchandise and service information or CCPC voluntary specifications. (8) Through our Quality Assurance Division, we conduct routine audit over all suppliers in their quality systems to assure uninterrupted long-term supplies of bulk pharmaceutical chemicals (BPC) that would satisfy the laws and safety & health rules. Teaming up with our fellow suppliers, we jointly fulfill the Corporate Social Responsibility (CSR). (9) Under "Corporate Social Responsibility Best Practice Principles" promulgated by CCPC, whenever a supplier proves involvement or in contravention of Corporate Social Responsibility Best Practice Principles that would lead to a significant impact upon the community environment and society in the supply sources, the Company may terminate or rescind the terms and conditions of the supply contract forthwith.	
4. Enhanced information disclosure (1) Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?	v		We already completed the Report of Corporate Social Responsibility (CSR) 2017 the contents of which, notably the substantial facts about CCPC's efforts in promotion of Corporate Social Responsibility (CSR), have been disclosed through the CCPC website, Market Observation Post System (MOPS). The Corporate website: http://www.ccpg.com.tw/ (Special Zone of Corporate Social Responsibility (CSR)).	Without a significant difference.
5. Where a Company has worked out CSR Guiding Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please expressly elaborate on the differential gap between the substantial performance and the Practice Principle: The Company has duly worked out "Corporate Social Responsibility Best Practice Principles" where the substantial performance shows no significant differential gap from the Practice Principle.				

6. Other important information that help understand the CSR operation:
(1) CSR governance frameworks:

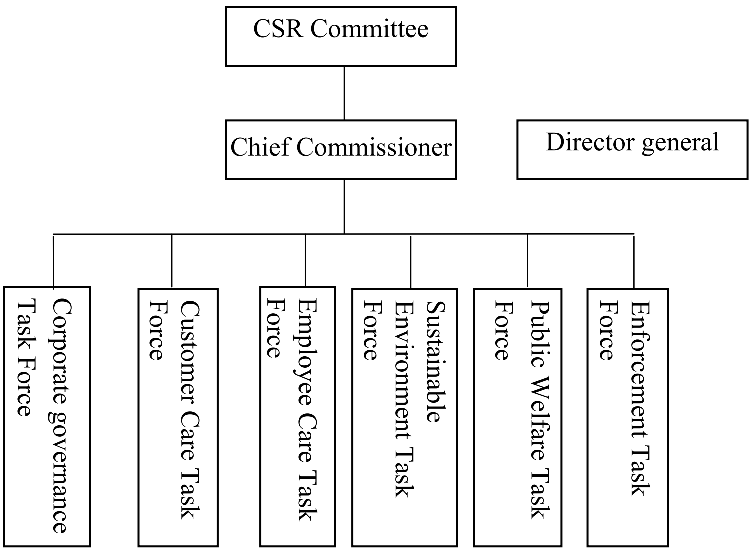


In an attempt to fulfill Corporate Social Responsibility (CSR) with focus on environment, industrial safety, society, corporate governance and sustainable development, China Chemical & Pharmaceutical Co., Ltd. has specifically founded the "CSR Committee" to put into implementation thoroughly CSR related issued, with adequate disclosure China Chemical & Pharmaceutical Co., Ltd. in "economy", "society", "environment", "products" and such significant issues, managerial policies, performance index as well as measurement of such index.

The CSR Committee is duly organized by units concerned as a cross-function team, chaired by the Chairman as the Chief Commissioner. The CSR Committee has set up CSR Task Force which assigns the key issues amidst the concern by interested parties to all units concerned based on the professions and respective duties.

CSR Committee's key responsibilities and powers:
1. Stipulate and promote CSR related policies.
2. Reassess operation of CSR management system.
3. Evaluate the Company's CSR policy targets, strategies and action plans, and instruct and trace the progress and improvement in the performance.
4. To routinely report the yearly execution plan and findings (at least once every year) to the management board.
5. Work out CSR Reports.

Organization chart of the CSR Committee:



Descriptions of the job items of the Task Force:

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

Yearly execution plan and finding report:
The 2017 execution plan and findings are reported before the June 28, 2018 management board.

1. The 2018 social stewardship report has been compiled and issued as of June 21, 2018.
2. Equal working ambiance

   In faithful compliance with labor related laws and ordinances concerned of the nation to firmly safeguard employees in their labor interests, the Company strictly sticks to "equal" principle. Under no circumstances shall an employee receive a discrimination treatment in any aspect as a result of gender, nationality, ethnic race, religion or political stand. On deriving positions and promotions, the company has no gender or age restrictions, nor bias in place as to place of birth, domiciliary, political tendency or religious faith, as long as a candidate is able and qualify for the positional requirements, opportunities and the like, and the company has also formulated comprehensive employee promotion and assignment measures, and also implement them *per* the regulations; while the recruited employees are also processed per the foresaid principle, and their ages also need to be above the child workers' age in compliance with the Employment Standards Act regulations and the company have not had incidents of hiring child workers. To safeguard equal gender working rights and to create a friendly working environment and childcare benefits, by assisting the employees to raise their offspring with ease, the company abides by the "General Equality Working Rights Act" article 16 and article 17 regulations have instilled the entitlements for the associates to apply for childbirth positions withheld and pay suspended leave, with statistics up to 2017 indicating that employees were eligible to apply for childbirth with positions withheld and pay suspended for approximately 45 male employees and approximately 44 female employees at CCPC, and approximately 45 male employees and approximately 25 female employees at CCPG, totaling 159 employees. With contract ending dates in 2017, CCPC and CCPG had 7 male associates and 22 female associates actually applying for childbirth positions withheld and pay suspended leave and on the re-instatement of position withheld pay suspended, a total of 1 male associate returned to duty, with a position withheld pay suspended re-instated rate at 25%, in addition to 13 female associates who returned to their duties, with a position withheld pay suspended re-instatement ratio at 100% and on the associate group on position withheld pay suspension, the company would continue to care for their state of job re-instatement, while a majority of the associates who forego re-instatement at the expiry of their position withheld pay suspended leave have been on the grounds that their position withheld pay suspended leaves are expiring but still have family care needs. Between 2016 and 2017, those on a childbirth position withheld pay suspended leave who have also been reinstated with a reinstating period reaching one year, finding the ratio of female associates at 89% and the ratio of male associates has also reached 100%.
3. Rudimentary human talent's developmental training

   The company has consistently believed that "the employees being the most critical and vital asset to the company" and has thus been dedicated to providing developmental training for the employee talents needed for company operations and development, as the company encourages its employees to take part in the company's internal, external training and on-the-job re-training and other related programs. The internal training program encompasses new recruit orientation training, various levels of management staff training and various types of professional skills, management and related programs, in addition to how it also actively encourages its employees to take part in external training and workers' re-training programs.

   To speed up new recruits getting to know and understand the working environment, and to enable them to comprehend company management philosophy and management style, and to spearhead their learning of professional skills and actually taking part in the work early, CCPC has in 2017 staged a total of 3 sessions of new recruits orientation training, as attended by 127 newly recruited personnel (including foreign national personnel), with each individual receiving on an average of 28 hours, with the trainee count accounting for approximately 17.2% of the total employee count; CCPG has in 2017 staged a total of 3 new recruits orientation training, with a total of 68 new recruits participating in it, with average training hours being 40 hours per person, and the trainee number accounts for 18.3% of the total employee account. Each newly recruited associate undergoes a new recruit orientation training course and is assigned with a position upon completion and is to continue receiving on-the-job professional skill training.

4. Environmental conservation

In all production plant zones, CCPC has set up independent air pollution preventive equipment & facilities which securely treats the exhaust gases yielded from the manufacturing process before emitting it into the atmosphere. The Xinfeng plant area's wastewater is all guided to the 500-ton biological and chemical missing treatment tank installed within the plant premises and following condensation, it is discharged, after meeting the national water quality control standards, beyond the plant premises; other plant areas' processed water, wastewater has all been guided to the industrial zone wastewater for treatment at the locations where various plant premises are. Achievement in enforcement of energy saving & carbon reduction policies: Cf. Table below for details.

Statistics of the benefits yielded by energy saving & carbon reduction efforts in four years during 2014~2017

Year	Power conservation (meter count/year)	Diesel volume conserved (liters/year)	Heavy oil volume conserved (Kiloliter/year)	CO2 reduced (M.T.)/year
2017	1,408,181	37,954	70,000	1,061
2016	1,045,420	34,104	70,000	859
2015	888,892	34,430	70,000	770
2014	82,944	4,488	391,000	1,275

5. Social contribution and social welfare

Under CCPC philosophy "taken from society/give back to society", we have earnestly teamed up with Chunghwa Yuming Healthcare Co., Ltd. to help general public develop and boost health backed up with CCPC products and services in superior quality. Meanwhile, we spare no effort to give back to the society through public interest oriented programs, including notably collaboration between industry and university, free seminars/lectures, financially sponsoring medical care service resources, charity medical care services toward remote countryside regions, along with promotion in health know-how education. Through Wang Min-Ning Memorial Foundation, we have further founded "Wang Min-Ning Awards" with enthusiastic promotion and development of medical science oriented academic development and education as the very key momentum to boost domestic medical science through academic development.

A. Industry-academic cooperation: By utilizing local/foreign collegiate/university academic-industry cooperation in staging the internship and workplace experiences, the company has in 2017 collaborating with Taiwan University, Cheng Kung University, Soochow University, Kaohsiung Medical University, Chinese Medical University, Chia Nan University of Pharmacy & Science, Tajen University, Chin-Yi University of Technology, Minghsin University of Science and Technology, Chunghwa University of Medical Technology, Pingtung University of Science and Technology and Canada's Ryerson University among other schools in industry-academic cooperation and internships, which provide developmental training to 79 students and through actually participating in motivational thinking, creativity, hands-on implementation and research philosophy, it also prepares the avid learners to be ready for the workplace by further deciphering the pharmaceutical industry.

B. Social welfare activities: To assist the minority groups by sponsoring healthcare resources, to motivate the medical/academic sectors to research and develop healthcare education, to host teaching lectures, by which to enhance the health education concept and to host social welfare charitable enterprise's charity auction activities.

6. Other social stewardships

In memory of Mr. Wang Min-Ning, the very founder of China Chemical & Pharmaceutical Co., Ltd. for his extraordinary dedication toward better health of all country people, promotion of pharmaceutical manufacture technology & know-how. Through the Foundation, we have promoted domestic pharmaceutical manufacture undertakings into the international community, with hands-on heritance of the very spirit upheld by Mr. Wang Min-Ning. Wang Min-Ning Memorial Foundation was founded in 1989. Since then we have spared no effort to encourage pharmaceutical manufacture oriented research & development as our supreme guiding policy. Other than these efforts, we have granted financial assistance and scholarships toward high-level professionals into academic research & development as well as extensively participated in a variety of public benefit activities toward the entire society, bringing the functions of the Foundation into the maximum possible performance. CCPC founded "Wang Min-Ning Awards" in 1991, including notably two major awards, i.e., "Outstanding Contribution Award for Pharmaceutical Research & Development toward National Health" and "Best Dissertation Awards in Domestic Ph. D. Programs on Pharmaceutical Manufacture Science". In a total of 27 sessions in 27 years since then, a total of 178 scholars, doctors, physicians and academic research institutions have satisfactorily passed the serious screening/selection process for the significant awards. The Award winning works cross the lines including Preclinical Medicine, Clinical Medicine and Pharmacy. Thanks to the independent, impartial, transparent and professional judging appraisal process, these CCPC Awards are known as rare praiseworthy and respectable incentive awards, winning widespread acclaim from the entire medical science field.

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

Stakeholders	Response method/communication means	Communication frequency	Issues of serious concern
Investors/banks	• General Meeting of shareholders • The corporate website and e-mail • The Company's Annual Report • Market Observation Post System (MOPS) • Contact point: Finance Division Ms. Cheng Mei-Lien Tel: (02)2312-4200 Ext. 339 e-mail: candy@ccpc.com.tw	• Once every year • Unscheduled, at all times • Once every year • Announced as regulated	• Strategy for sustainable development/risk management • corporate governance • Sales and sales operation in the markets • Research & development and innovation
Employee	• Labor Safety & Health Committee • Unions • General Manager's mailbox • Amicable talks between the unit heads the employees • Employee Welfare Committee • Contact window: human resources and administrative division Ms. Chou Shu-Mei Tel: (02)2312-4200 Ext. 276 e-mail: smchou@ccpc.com.tw	• Once every quarter • One every quarter, at all times • Unscheduled, at all times • Unscheduled, at all times • One every quarter, at all times	• Industrial safety • Occupational safety & health • Training development & education
Raw materials suppliers/ product suppliers	• Visits to suppliers • Evaluation of suppliers • Contact point: Property Division Ms. Chang Pi-Hua Tel: (02)2312-4200 Ext. 211 e-mail: sophia@ccpc.com.tw	• Unscheduled • Unscheduled	• Strategy for sustainable development/risk management • Supply chain management • Law compliance • corporate governance • Bulk pharmaceutical chemicals (BPC) management • Business ethics • Sales and sales operation in the markets
Customers/ distributors	• Customer interviews • Introduction to products through the Company's website and the services thereof • Interview with salespeople (customers' opinions or grievance) • Contact window: the administrative services division Ms. Hu Hui-Lan Tel: (02)2312-4200 Ext. 728 e-mail: mango@ccpc.com.tw	• Unscheduled • Unscheduled • Unscheduled	• Accurate uses of pharmaceuticals • Health and safety • S ales and sales operation in the markets
Academic pharmaceutical organizations	• To participate in trade association, organizational associations and academic associations' activities • Unscheduled visitation exchanges • Contact window: The public affairs division Ms. Chen, Yi-Fen Tel: (02)2312-4200 Ext. 712 e-mail: tiffanychen@ccpc.com.tw	• Unscheduled	• Strategy for sustainable development/risk management • Sales and sales operation in the markets • Research & development and innovation
Trade association and organizational associations	• To participate in trade association, organizational associations and academic associations' activities • Unscheduled visitation exchanges • Contact window: The public affairs division Ms. Chen, Yi-Fen Tel: (02)2312-4200 Ext. 712 e-mail: tiffanychen@ccpc.com.tw	• Unscheduled	• Law compliance • Business ethics • Research & development and innovation

For more details about Corporate Social Responsibility Report, please visit the official CCPC website (http://www.ccpg.com.tw) "Special Zone of Corporate Social Responsibility". Also in the official CCPC website, you will find the "Special Zone of Interested Parties" where we make available open questionnaire through which all CCPC interested parties may express exactly what they have in mind, their opinions and precious proposals to help us better understand their voices. Their opinions and voices function as very precious reference to us all, especially in our work for the Corporate Social Responsibility Report. Toward CCPC customers, investors, staff members and suppliers, we have set up varied and respective channels for communications. Thanks to such sound efforts, we are always closely linked up with interested parties about their needs and their expectation from CCPC.

7. Where the Company's Corporate Social Responsibility Report satisfactorily passes the verification criteria of relevant authentication authorities, please elaborate:
   Here at CCPC, we duly work out Corporate Social Responsibility Report exactly with reference to Global Reporting Initiative, GRI) (GRI G4. 0), in particular the "core" method therein. The CCPC Corporate Social Responsibility Report has been disclosed through the Company's website and Market Observation Post System (MOPS). Without submittal to the relevant authentication authorities for authentication.

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

Proper enforcement of business integrity

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

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			offering unjustifiable interests and guide them into withdrawal from conflict involvement (recusal). In all business operation, any unethical behavior is absolutely prohibited to prevent potential occurrence of unfaithful practice. In the hands-on practice of good faith management, such good faith management policy and philosophy are arranged into the pre-employment training programs for all newcomers. The training lesions include Best-Practice Principles on Good Faith Management, professional ethics, with introduction to "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management", the relevant rules & regulations. The Company's special duty oriented department would report to the Company's Board of Directors about the substantial performance of the good faith management. "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" and "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" are disclosed through the Company's website http://www.ccpg.com.tw (Investors' special zone → corporate governance). (3) In business transaction or procurement, the Company should check and verify whether the suppliers are the Company's interested parties and should check and make sure of the faithfulness facts of business counterparts through the Company's credit investigation operating procedures. Fact of each and every donation should be reported to various managerial levels to make definitely sure that the donation would satisfy laws and ordinances concerned and the Company's internal operating procedures. Through the "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" enacted by the Company, the Company launches definite and express measures to prevent business operation activities that are subject to risks of unfaithful behaviors.	
2. Proper enforcement of business integrity (1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	v		(1) The Company engages in business operation exactly under the fair, honest, trustworthy and transparent principles. Via the Company's credit investigation process, we do definitely check and make sure of the Company's agents, suppliers, customers and other counterparts in	Without a significant difference.

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis? (3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?			business operation about their legality and practice in faithfulness, about whether they have involved any unfaithful practice previously to prevent CCPC from engaging in business transaction with an unethical counterpart. Whenever the Company executes a contract on business, we definitely assure that the contract contents should contain good faith management policies with such definite clause: Whenever a business counterpart is found or alleged to get involved in unethical behaviors, the Company is entitled to have the Agreement terminated or rescinded forthwith. (2) The company has assigned the human resources and administrative division as the full-time entity for overseeing the promotion and execution of enterprise honesty operation, charged with assisting company management board and management level to formulate and monitor its honesty operations strategy and prevention campaign, by which to ascertain enforcing its honesty operations guideline and also present the execution status routinely at least once every year to management board, while company management board fully exerts a responsible manager's precautionary obligations, by monitoring that the company prevents dishonest conduct and also to timely review its implementation results and ongoing improvement by which to ascertain the enforcement of its honesty operations policy. The human resources and administrative division has, at the December 27, 2018 board meeting, reported on the honest, integral operations policy's execution status (for the report content, refer to VI. Other critical information beneficial to deciphering the company's honest integral operating status, for the details). (3) Under the Company's regulations & systems, avoidance from presence (recuse) is absolutely assured whenever there is a potential conflict in interests. Whenever an issue in the board of directors is found in potential conflict in interests, a director involved such potential conflict should withdraw and quit from the voting site, without a role in the discussion and voting process. The Company expressly promulgates that "good faith management" or "faithfulness" should represent a vital element of CCPC culture. To prevent	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			conflict in interests amidst routine business operation, the Company has set up sound channels for grievance and complaint, mailbox and special phone number ready to accept accusation reports. (4) The Company has set up and implemented effective accounting system, internal control system, internal audit system as well as a variety of managerial rules. The Company's Audit Office conducts routine sample check about the hands-on practice and implementation. (5) The Company has duly stipulated strict working regulations governing employees in their practice at work and rules about what employees must know. The good faith management philosophy, professional ethics, "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management", law compliance and such CCPC policy are provided as the very essential elements in the pre-employment training programs for newcomers and other routine training programs. Hands-on performance in educational & training programs and promotion in 2017: (1). CCPC: In the in-house training programs sponsored on May 30, 2018 & September 11, 2018, the Best-Practice Principles on Good Faith Management and Behavioral Guidelines were provided as the key elements. The educational & training programs were attended by a total of 68 trainees. (2). Chunghwa Yuming Healthcare Co., Ltd.: In the newcomers oriented training programs sponsored in March, June, September, & December 2018, all trainees were educated with the firm Four-Nos Policy: No embezzlement, No resale, No Moonlighting. The training programs were attended by a total of 72 trainees.	
3. The operations of the Company's Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (2) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported?	v		(1) Under the "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" enacted by the Company, CCPC encourages both insiders and outsiders to launch accusation reports against unethical, unfaithful or unjustifiable behaviors. Where an accusation report justifies the accused facts with outcome of the investigation, the case will be reported to the general manager to grant incentive awards as the actual facts may justify. Where, on the other hand, a CCPC insider proves to report a false accusation in a malicious intent, such	Without a significant difference.

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?			accuser shall receive right disciplines or shall be even dismissed from employment in a serious offense. The Company has set up accusation & complaint mailbox report@ccpc.com.tw, with special phone number (02-23124219) wherewith both insiders and outsiders may use to report. The Company assigns special duty oriented personnel to answer the phone calls and deal with the cases. (2) The Company has stipulated "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors". Accordingly, we'd launch investigation in response to the accusation report and take measures as appropriate based on such Regulations. Meanwhile, we'd report to the board of directors regarding the facts of reports, our responses and subsequent improvement efforts. All CCPC people in charge of the accusation reports are subject to strict confidentiality about the status of a reporter, contents of the report. The Company firmly commits that under no circumstances shall an accusation reporter receive any unjustifiable measure because of his or her accusation report. (3) Under the "Regulations Governing Accusation Report of Unlawful & Unethical Behaviors" enacted by the Company, the Company strictly sticks to a policy that all CCPC people in charge of an accusation report should commit expressly in writing to confidentiality obligations about the status of a reporter and the contents so reported. The Company firmly commits that under no circumstances shall an accusation reporter receive any unjustifiable measure because of his or her accusation report. In entire year 2018, the Company did not receive an accusation report.	
4. Enhanced information disclosure (1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	v		Through the Company's official website (http://www.ccpg.com.tw)Investors' special zone - Corporate Governance and Market Observation Post System (MOPS) , the Company has disclosed the entire contents of the "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management" as well as the hands-on performance and implementation of such Operating Procedures.	Without a significant difference.
5. Where the Company may have establish its own business integrity best-practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", and shall elaborate the practice of business integrity and the variations from the aforementioned regulation: Exactly in accordance with the "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies" and laws and ordinances concerned, the Company has duly stipulated "Operating Procedures and				

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td colspan="5">Directions for Act over Best-Practice Principles on Good Faith Management". In all hands-on business operation, the Company has faithfully complied with the Operating Procedures and the Guiding Principles. The Company's hands-on performance shows no significant differential gap from the specified regulations.</td></tr>
<tr><td colspan="5">6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity)
(1) Pursuant to "Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies" which were amended by Taiwan Stock Exchange Corporation (TSEC) with Letter Tai-Zheng-Key points that call for attention-Li-Zi 1030022825, the Company duly updated on November 2, 2015 its "Operating Procedures and Directions for Act over Best-Practice Principles on Good Faith Management". The updated Operating Procedures were granted a pass in the 16th board of directors meeting of Session XXII.
(2) The honest, integral operations' execution status report:
Responsible unit: human resources and administrative division
The December 27, 2018 board meeting report:
1. Formulating the honesty operations procedure and conduct guideline:
The first amendment on November 2, 2015 as duly resolved by the board of directors on November 9, 2015 as duly promulgated onto the enterprise remark electronic document "regulations & systems" and duly disclosed onto the Company's official website.
2. Installing a whistle-blower system and formulating a response procedure:
On March 23, 2016, the company has newly formulated its "tipoff of illegal, immoral or dishonest conduct case processing measures," which has on April 12, 2016 been motioned at the management board and has also been announced on Enterprise Notes electronic official documents' "regulatory/chapter system" and disclosed on the company's official website.
3. Orientation training and campaigning:
(1) CCPC: An internal orientation training has been held on May 30, 2018 and Sept. 11, 2018, by scheduling an honesty operations guidelines and conducted a guidelines' description course, with participants totaling 68.
(2) Chunghwa Yuming Healthcare Co., Ltd.: In the newcomers oriented training programs sponsored in March, June, September, & December 2018, all trainees were educated with the firm Four-Nos Policy: No embezzlement, No resale, No Moonlighting. The training programs were attended by a total of 72 trainees.
4. Enterprise employees breaching the honesty operations conduct statistics and penalty action:
(1) CCPC: None.
(2) Chunghwa Yuming Healthcare Co., Ltd.:
Case count: There is a total of 2 cases breaching the three no policy-specified" not misappropriating the company funds" dishonest conduct.
Penalty action: The case party of 1 associate has been dismissed, 1 associate has resigned voluntarily; a total of three staff associates received contingent liability action for lacking thorough supervision.
5. Statistics on the tipoff of illegal, immortal or dishonest cases: Nil.</td></tr>
</table>

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

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

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

1. Declaration in Internal Control System:

China Chemical & Pharmaceutical Co., Ltd.

Declaration of Internal Control Policies

Date: March 11, 2019

The following declaration is based on the 2018 self-audit over the Company's internal control policies:

1. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide a reasonable assurance on the achievement of the goals, including the effectiveness and efficiency of operations (including profitability, performance and security of assets, etc.) and the report with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. Pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Governing Regulations"), the Company should study and judge whether the Company's internal control system is effective in design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
4. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
5. On the grounds of the outcome of evaluation mentioned in the preceding Paragraph, the Company firmly holds that the Company's internal control system as of December 31, 2018 (including supervisory control and management over subsidiaries), notably the effect of the business operation, extent of accomplishment of the target where the report proves trustworthy, transparent in real time, the design and implementation of the Company's internal control system proves effective, capable of assuring accomplishment of the aforementioned targets.
6. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The present Declaration of Internal Control System was granted a pass in the board of directors meeting convened on March 11, 2019. That board of directors meeting was attended by 5 directors among whom 0 director objected. All present directors unanimously responded with consent to the contents of the Declaration. This is the another point duly clarified herewith.

China Chemical & Pharmaceutical Co., Ltd.

Chairman: Wang, Hsun-Sheng Signature

President: Wang, Hsun-Sheng Signature

2. Review report issued by the commissioned Certified Public Accountant(s) in the review of the internal control system: Nil.

(X) In the latest year until the date as of Annual Report issuance: The Company and inside personnel having been penalized for violation of the requirements in the internal control system, the major defects and corrective action completed: (Expressed in NT$ Thousand)

1. In February 2009, the Ministry of Justice held that during October 2001 ~ June 2004, the Company participated in a pharmaceutical procurement case of an authority supervisory over public servants and was awarded that tender, in contravention of Article 9 of the Act on Recusal of Public Servants Due to Conflicts of Interests. Based on Article 15 of the same Act, the Ministry of Justice imposed a fine amounting to NT$ 60,990 which the Company recognized as a loss in 2008. In response to the administrative appeal lodged by the Company, the Ministry of Justice corrected the amount of the fine in July 2010 into an amount of NT$ 40,614. Further appeal through the Attorney-at-Law retained by the Company, the Company's appeal was dismissed by the Taiwan High Court in 2011. Once more, the Company lodged another appeal. The Supreme Administrative Court with a judgment rendered in May 2014 with a decision that the prior judgment should be set aside and the case should be returned to Taipei High Administrative Court. Taipei High Administrative Court rendered decision in April 2015 that the prior decisions should be set aside and that the Ministry of Justice should render another decision appropriate according to law in accordance with Article 15 of the Art for Avoidance from Presence (Recuse). Further on October 19, 2015, the Ministry of Justice issued a letter to correct the amount of the fine into NT$20, 000 (entered into balance sheet as reserve for liability - current). Based on the most up-to-date ruling, the Company already reversed the originally entered penalty fine NT$20, 614 and entered as "other revenue". The Company lodged another administrative appeal in November 2015 and the Administrative Appeal Committee of the Executive Yuan (the Cabinet) dismissed the administrative appeal in April 2016. The Company lodged appeal with Taipei High Administrative Court and Taipei High Administrative Court already dismissed the appeal in September 2016. In turn, the Company lodged appeal to the Supreme Administrative Court in November 2016 and the Supreme Administrative Court rendered a judgment in September 2017 whereunder the Company was a loser in the final and irrevocable decision.
2. The company has in March 2016 received a Taipei District Court Civil Court notice, notifying the Securities Investor and Futures Traders Protection Center (hereinafter referred to as the Investors Protection Center) seeking the court to dismiss the company chairman’s director position for dismissing the appointment relationship between the company and its chairman, thus the Investors Protection Center has also enlisted the company as the joint defendant, to which the company has appointed its legal counsel to conduct the counterargument. The Taipei District Court has in December 2016 overruled the Investor Protection Center’s suit and following the Investors Protection Center pressing appeal with the Taipei High Court, the Taipei High Court in October 2018 rendered a judgment awarding the company with a defeat suit and following the company and company chairman pressing appeal, the Supreme court has on January 9, 2019 overruled the appeal that has been confirmed, except with the company having had an across-the-board re-election of directors and independent directors before the November 14, 2018 shareholders’ meeting. Thus the case judgment and confirmation do not affect the incumbent directors’ fiduciary duties as voted before the November 14, 2018 shareholders’ meeting.

(XI) In the latest year until the date as of Annual Report issuance, the shareholders' meeting had resolved significant decisions:

<table>
<tr><th colspan="3">Significant decisions resolved in the shareholders' meeting</th></tr>
<tr><th>Date on which the shareholders' meeting resolved the decisions</th><th>Subject:</th><th>The outcome of resolution and the implementation thereof</th></tr>
<tr><td rowspan="2">May 29, 2018
Shareholders' regular meeting</td><td>1. The issue to acknowledge the business report and final account books in 2017.</td><td>The issue duly passed the resolution process in the voting exactly as proposed.</td></tr>
<tr><td>2. The issue to acknowledge the Company's distribution of earnings in 2017.</td><td>Through ballot voting, it has approved the distribution of cash dividends amounting to $178,848,648 (at $0.6 per share), and the management board has also been authorized to set the dividends distribution date.
July 31, 2018 has been set as the dividends distribution date, and all dividends (with each share distributed with a cash dividend of $0.60) have been distributed in full as of August 17, 2018.</td></tr>
</table>

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

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

IV. Disclosure of CPAs' remuneration

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

Auditor's firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Lin Chun-Yao	Chang Shu-Chiung	2018.01.01~2018.12.31	None

Unit: NT$ thousand

	Fee items / Fee levels	Audit remuneration	Non-audit remuneration	Total
1	Below NT$ 2,000,000	—	V	V
2	NT$ 2,000 thousand ~ NT$ 4,000 thousand (exclusive)	V	—	V
3	NT$ 4,000 thousand ~ NT$ 6,000 thousand (exclusive)	—	—	—
4	NT$ 6,000 thousand ~ NT$ 8,000 thousand (exclusive)	—	—	—
5	NT$ 8,000 thousand ~ NT$ 10,000 thousand (exclusive)	—	—	—
6	Over 10,000,000 (inclusive)	—	—	—

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

Disclosure of CPAs' remuneration Unit: NT$ thousand

Auditor's firm	Name of CPA	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			System design	License registration	Human resource	Other (Note 2)	Subtotal		
PwC Taiwan	Liao Lieh-Lung	-	-	-	-	350	350	2018.01.01~2018.12.31	Report on transferred pricing
PricewaterhouseCoopers Taiwan Business Administrative Consultation	Li, Jun-Chih	-	-	-	-	650	650	2018.08.~2019.08	Consultation services of the strategic planning

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

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

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

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

V. Information of attesting CPAs replacement: Over the past two years and the period thereafter, the Company did not replace a Certified Public Accountant.

VI. The Company's Chairman, general manager, managers in charge of financial and accounting affairs have never served with a Certified Public Accountant House or an affiliated enterprise thereof over the past year.

VII. In the latest year until the date as of Annual Report issuance, the fact regarding transfer or pledge stock equity by the Company's directors, managers and key shareholders holding over 10% in shareholding (Where the counterparts for transfer or pledge of the equity are related parties, please expressly illustrate the name(s), company(ies), director(s) or key shareholders holding more than 10% in the relationship and the number of shares in pledge so obtained);

(I) Fact regarding change in the stock equity by directors, managers and key shareholders.

Unit: shares

Title	Name	2018		Year-to-date March 29	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairman	Chunghwa Chemical Synthesis & Biotech Co.,Ltd Representative: Wang Hsun-Sheng (Note 1)	12,864,000	0	3,097,000	0
Chairman	Wang Hsun-Sheng (Note 2)	0	0	0	0
Director	Wang Ming-Ning Memorial Foundation Representative: Wang Hsun-Hui (Note 1)	0	0	0	0
Director	Wang Hsun-Hui (Note 2)	0	0	0	0
Director	Cheng, Hsi-I (Note 2)	0	0	0	0
Director	Wang Ming-Ning Memorial Foundation Representative: Tsai, Ching-Chung (Note 2)	0 0	0 0	0 0	0 0
Independent Director	Chen Hung-Shou (Note 3)	0	0	0	0
Independent Director	Wu Su-Huan (Note 3)	0	0	0	0
Independent Director	Pei, Min-Li (Note 2)	0	0	0	0
Independent Director	Chou, Yen Peng (Note 1)	0	0	0	0
Vice President	Sun, Yin-Nan	0	0	0	0
Vice President	Tsai, Kuo-Chang	0	0	0	0
Vice President	Hsieh, Chun Ju	0	0	0	0
Vice President	Wu, Chih-Yung	0	0	0	0
Manager	Lin, Teng-Pao	0	0	0	0
Manager	Chao, Te-Feng	0	0	0	0
Manager	Huang, I-Chun	0	0	0	0

Note 1: Appointment on November 14, 2018

Note 2: The old tenure prior to November 14, 2018

Note 3: The re-appointment through re-election on November 14, 2018

(II) Information of the fact where the Company's directors, managers and key shareholders holding over 10% in shareholding transfer stock equity to related parties: Nil.

(III) Where the counterparts for stock equity by the Company's directors, managers and key shareholders holding over 10% in shareholding are related parties: Nil.

VIII. Information of the interrelationship among the key shareholders holding over 10% in shareholding:

March 29, 2019

Name	Shares Held In Own Name		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name (or name)	Relation	
Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Wang Hsun-Sheng	20,933,137 14,703,937	7.02% 4.93%	626,177	0.21%	0	0.00%	None Wang Hsun-Hui, Wang Hsieh Yi-Chen	None Brothers, Spouse	None None
Wang, Hsun-Sheng	14,703,937	4.93%	626,177	0.21%	0	0.00%	Wang Hsun-Hui, Wang Hsieh Yi-Chen	Brothers, Spouse	None
Wang, Hsun-Hui	13,781,817	4.62%	1,013,177	0.34%	0	0.00%	Wang Hsun-Sheng, Wang Hsieh Yi-Chen	Brothers, Blood relatives within the second degree of kinship	None
Fubon Life Assurance Co., Ltd. Representative: Tsai Ming-Hsing	13,000,000 0	4.36% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
Wang Ming-Ning Memorial Foundation Representative: Wang Hsun-Sheng	10,432,912 14,703,937	3.50% 4.93%	0 626,177	0.00% 0.21%	0 0	0.00% 0.00%	None Wang Hsun-Hui, Wang Hsieh Yi-Chen	None Brothers, Spouse	None None
Guan's Enterprise Co., Ltd. Representative: Guan Jun-Ping	7.015,000 2,521,000	2.35% 0.85%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None
The special Norwegian Central Bank account for investment where Citibank (Taiwan) was commissioned for custody	6,865,000	2.30%	0	0.00%	0	0.00%	None	None	None
Ma Jia De Enterprise Co., Ltd. Representative: Wang Hsieh Yi-Chen	4,846,000 626,177	1.63% 0.21%	0 14,703,937	0.00% 4.93%	0 0	0.00% 0.00%	None Wang Hsun-Sheng, Wang Hsun-Hui	None Spouse, Blood relatives within the second degree of kinship	None None
Investment on funds in the sub-emerging markets as commissioned by Citibank (Taiwan)	3,495,264	1.17%	0	0.00%	0	0.00%	None	None	None
Cathay Life Insurance Co. Ltd. Representative: Huang, Tiao-Kuei	3,262,000 0	1.09% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	None None	None None	None None

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

Comprehensive Shareholding Percentage

As of March 29, 2019, expressed in number of share as the unit, %

INvestees (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
Chunghwa Yuming Healthcare Co., Ltd.	29,590,000	100.00	0	0.00	29,590,000	100.00
Chunghwa Senior Care Co., Ltd.	5,000,000	100.00	0	0.00	5,000,000	100.00
Chunghwa Holding Co., Ltd.	44,485,000	100.00	0	0	44,485,000	100.00
Tairung Development Co., Ltd.	4,376	71.64	762	12.48	5,138	84.12
PHERMPEP CO., LTD.	2,300,000	46	0	0	2,300,000	46
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	17,331,064	22.35	6,784,397	8.75	24,115,461	31.09
Sino-Japan Chemical Co., Ltd.	318,216	21.99	0	0.00	318,216	21.99

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

Four. Funding Status

I. Share capital and shares

(I) Sources of share capital

1. Process where the share capital was formatted:

March 29, 2019; Expressed in NT$ Thousand and thousand shares.

Year / month	Price of issue (NT$)	Authorized capital		Paid-up capital		Remarks		
		Quantity	Amount	Quantity	Amount	Source of capital	Paid in properties other than cash	Others
2000.07	10	260,000	2,600,000	250,910	2,509,100	Capital reserve taken to be converted into capital increase NT$228,100	None	None
2004.06	10	280,000	2,800,000	270,982.8	2,709,828	Capital reserve taken to be converted into capital increase NT$99,775 Recapitalization of earnings 100,953	None	None
2005.07	10	300,000	3,000,000	298,081.08	2,980,810.8	Recapitalization of earnings 270,982.8	None	None
2018.12	10	500,000	5,000,000	298,081.08	2,980,810.8	-	None	None

Note: For capital increases in the aforementioned years, the Company obtained official letters from Financial Supervisory Commission, Executive Yuan to confirm the validity, along with the respective dates and file numbers.
(1) Declared into validity with Letter (Year 2000) Tai-Tsai-Zheng-(I) 59059 dated July 10, 2000
(2) Declared into validity on June 29, 2004 with Letter Tai-Tsai-Zheng-I-Zi 0930128568.
(3) Declared into validity on July 26, 2005 with Letter Jin-Guan--Zheng-I-Zi 0940127280

2. Categories of shares:

March 29, 2019 Unit: shares

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

Note: As the listed stocks.

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

(II) Shareholder structures:

March 29, 2019 Unit: shares

Shareholders structure / Quantities	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	0	4	182	48,987	100	49,273
Number of shares held	0	16,534,000	55,488,296	191,919,329	34,139,455	298,081,080
Ratio of Shareholding	0.00%	5.55%	18.62%	64.39%	11.44%	100.00%

(III) Equity dispersion

March 29, 2019 Unit: shares

Shareholding scale intervals	Number of shareholders	Number of shares held	Ratio of Shareholding
1 to 999	28,260	2,508,906	0.84%
1,000 to 5,000	15,980	34,400,756	11.54%
5,001 to 10,000	2,627	21,370,177	7.17%
10,001 to 15,000	733	9,402,333	3.15%
15,001 to 20,000	593	11,179,504	3.75%
20,001 to 30,000	372	9,633,829	3.23%
40,001 to 50,000	285	11,380,061	3.82%
50,001 to 100,000	221	15,970,498	5.36%
100,001 to 200,000	105	14,946,207	5.01%
200,001 to 400,000	40	11,042,139	3.70%
400,001 to 600,000	9	4,569,776	1.53%
600,001 to 800,000	10	6,812,577	2.29%
800,001 to 1,000,000	2	1,775,883	0.60%
> 1,000,001	36	143,088,434	48.01%
Total	49,273	298,081,080	100.00%

Note: Never has the Company issued preferred shares.

(IV) List of major shareholders:

March 29, 2019 Unit: shares

Names of the top ten shareholders \ Shareholding		Number of shares held	Ratio of Shareholding
1	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	20,933,137	7.02%
2	Wang, Hsun-Sheng	14,703,937	4.93%
3	Wang, Hsun-Hui	13,781,817	4.62%
4	Fubon Life Assurance Co., Ltd.	13,000,000	4.36%
5	Wang Ming-Ning Memorial Foundation	10,432,912	3.50%
6	Guan's Enterprise Co., Ltd.	7,015,000	2.35%
7	The special Norwegian Central Bank account for investment where Citibank (Taiwan) was commissioned for custody	6,865,000	2.30%
8	Ma Jia De Enterprise Co., Ltd.	4,846,000	1.63%
9	Investment on funds in the sub-emerging markets as commissioned by Citibank (Taiwan)	3,495,264	1.17%
10	Cathay Life Insurance Co. Ltd.	3,262,000	1.09%

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

<table>
<tr><th colspan="3">Year
Item</th><th>2017</th><th>2018</th><th>In the current year as of March 31, 2019 (Note 8)</th></tr>
<tr><td rowspan="3">Market price per share (Note 1)</td><td colspan="2">Highest</td><td>20.70</td><td>24.20</td><td>19.45</td></tr>
<tr><td colspan="2">Lowest</td><td>17.65</td><td>17.80</td><td>17.95</td></tr>
<tr><td colspan="2">Average</td><td>18.52</td><td>19.79</td><td>18.75</td></tr>
<tr><td rowspan="2">Net worth per share (Note 2)</td><td colspan="2">Before dividend distribution</td><td>18.72</td><td>19.07</td><td>—</td></tr>
<tr><td colspan="2">After dividend distribution</td><td>18.11</td><td>(Note 9)</td><td>—</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average outstanding shares</td><td>297,253,197</td><td>297,253,197</td><td>297,253,197</td></tr>
<tr><td colspan="2">Earnings per share (Note 3)</td><td>1.05</td><td>1.24</td><td>—</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>0.6</td><td>(Note 9)</td><td>—</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>From earnings</td><td>-</td><td>(Note 9)</td><td>—</td></tr>
<tr><td>From capital reserves</td><td>-</td><td>(Note 9)</td><td>—</td></tr>
<tr><td colspan="2">Cumulative undistributed dividends (Note 4)</td><td>-</td><td>(Note 9)</td><td>—</td></tr>
<tr><td rowspan="3">Analysis of investment returns</td><td colspan="2">P/E ratio (Note 5)</td><td>17.63</td><td>15.96</td><td>—</td></tr>
<tr><td colspan="2">Price to dividends ratio (Note 6)</td><td>30.87</td><td>(Note 9)</td><td>—</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 7)</td><td>0.032</td><td>(Note 9)</td><td>—</td></tr>
</table>

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

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

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

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

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

Note 5: P/E ratio = Average closing price per share for the year / earnings per share.

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

Note 7: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

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

Note 9: For 2018, the data of distribution of the annual earning had not yet passed the shareholders' regular meeting.

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

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

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

(1) Tax to be duly appropriated according to law.
(2) The sum to make up loss in previous year(s).
(3) The sum to appropriate 10% legal reserve.
(4) The sum for special reserve which should be appropriated according to law.
(5) From the final balance of earning, if any along with unappropriated retained earnings of the preceding year, there shall be the distributable earning. A part of the distributable earning may be retained as bonus to shareholders of which the cash dividend shall not be lower than 50% of the total bonus to shareholders. Where the cash dividend is below NT$ 0.1 per share, such dividend shall be granted in stock dividend instead.

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

The Company's earning allocation chart as of 2018 was duly resolved in the board of directors on March 11, 2019:

Unit: NT$

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 NT$ 0.8 per share)	(238,464,864)
Closing undistributed earnings	1,176,330,790
The cash dividend in present distribution is rounded off to the nearest whole number of New Taiwan Dollar and the fraction less than one New Taiwan Dollar shall be discarded Amount of odds less than NT$1. To be converted into the Company's other revenue	

3. Anticipated significant change in dividend policy: Nil

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

In the Company, the shareholders' meeting does not propose issuance of bonus shares in 2019.

(VIII) Remuneration to the employees, directors:

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

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

2. The grounds to estimate the remuneration to employees, directors: In case of a differential gap between remuneration to employees in amount of actual distribution to

be distributed in stocks and the previously estimated amount: In case of a differential gap from the estimated amount, such differential gap is entered as the profit and/or loss of the ensuing fiscal year.

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

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

   In 2018, the remuneration to employees was estimated at NT$30,000,000; the remuneration to directors was estimated at NT$4,400,000 which were recognized and resolved by the board of directors in full on March 11, 2019, without any differential gap at all compared with the amount estimated for the year.

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

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

   In 2017, the estimated remuneration to employees NT$21,750,000, remuneration to directors NT$3,300,000 which were resolved in the shareholders' meeting convened on May 29, 2018 in full, without any differential gap in amount between the recognized amount and the estimated amount.

(IX) Facts of shares repurchased by the Company: Nil

II. Disclosure relating to corporate bonds: None

III. Disclosure relating to preferred stock: None

IV. Disclosure relating to depository receipts: None

V. Employee stock warrants: None

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

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

VIII. Progress on the use of funds:

(I) Contents of the plan

As of the quarter preceding the date of publication of the annual report, the negotiable securities in respective issuance or privately-offered negotiable securities have not been completed, or those having been completed but with the benefit not yet demonstrated in the past three years: Nil

(II) Facts of implementation

With the purposes of various plans mentioned in the preceding Paragraph, with item by item analysis to the quarter preceding the date of publication of the annual report. The fact of implementation and comparison with the anticipated benefits: Nil

Five. Business performance

I. Content of business:

(I) Scope of business operation:

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

(1) Major contents of the business operation undertaken:

A. Manufacture, buys, sales of pharmaceuticals, agricultural & industrial products, workstock pharmaceuticals, domestic hygiene cleaning articles

B. Manufacture, buys and sales of personal hygiene & health-care articles (medicated shampoos, medicated facial cleanser, facial soaps, medicated soaps, health-care shower lotion, toothpaste, toothbrushes, tooth lotion, dental flosses, mouth fresh fragrance sprays and the like), cosmetics, medicated cosmetics and skin care products (anti line wrinkle crème, spot-covering cream, moisturizing cream, emulsion, cosmetic lotion and the like.

C. Manufacture, buys and sales of food industrial products and feed.

D. Buys and sales of the products linked up with the above and the machinery & equipment, utensils thereof.

E. Agency services, buys and sales of chemical fertilizers.

F. Agency services.

G. The import and export trade for all aforementioned items.

H. Import, buys and sales of medical care instruments.

I. To commission construction firms to erect business buildings for lease and for sales.

J. To publish a variety of magazines and books.

K. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Operating proportions of the business line undertaken:

Drugs for human use 73%, animal health products 7%, medical care appliances 14%, daily use health-care products 5%, others 1%.

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

(1) The current merchandise items of the Company:

A. Drugs for human use: Including prescription pharmaceuticals and pharmaceuticals subject to instructions, patent medicine, products provided in various dosage forms toward various diseases.

B. Medical apparatus and instruments:
contact lenses solutions, sphygmomanometers, blood sugar meters, artificial joint prosthesis.

C. Animal Health Products, supplementary supplies, feed additives: For animal oriented medical treatment, prevention and treatment for diseases, nutrition aids.

D. Daily supplies: Including toothpastes, tooth powder, mouth wash and such oral hygiene items, hand cleansing lotion, dry-watch for hand, body lotion, medicated soaps and such wash items, skin-care series, anti-acne series.

E. Food nourishment: Nutrition supplements and such health-care foods.

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

On a historical count, a total of 180 cases have undergone the BE product test as of 2018 and certain five cases have undergone the Ministry of Health and Welfare's certification issuance. In response to the requirements of advanced aging population, the Company has put forth maximum possible efforts to develop biotechnical pharmaceuticals and to team up with foreign counterparts to bring in new technology & know-how and new products.

(II) Industrial profiles:

1. The status quo and development of the industry

(1) The formal induction of the “biotech industry innovation promotional campaign execution center:”

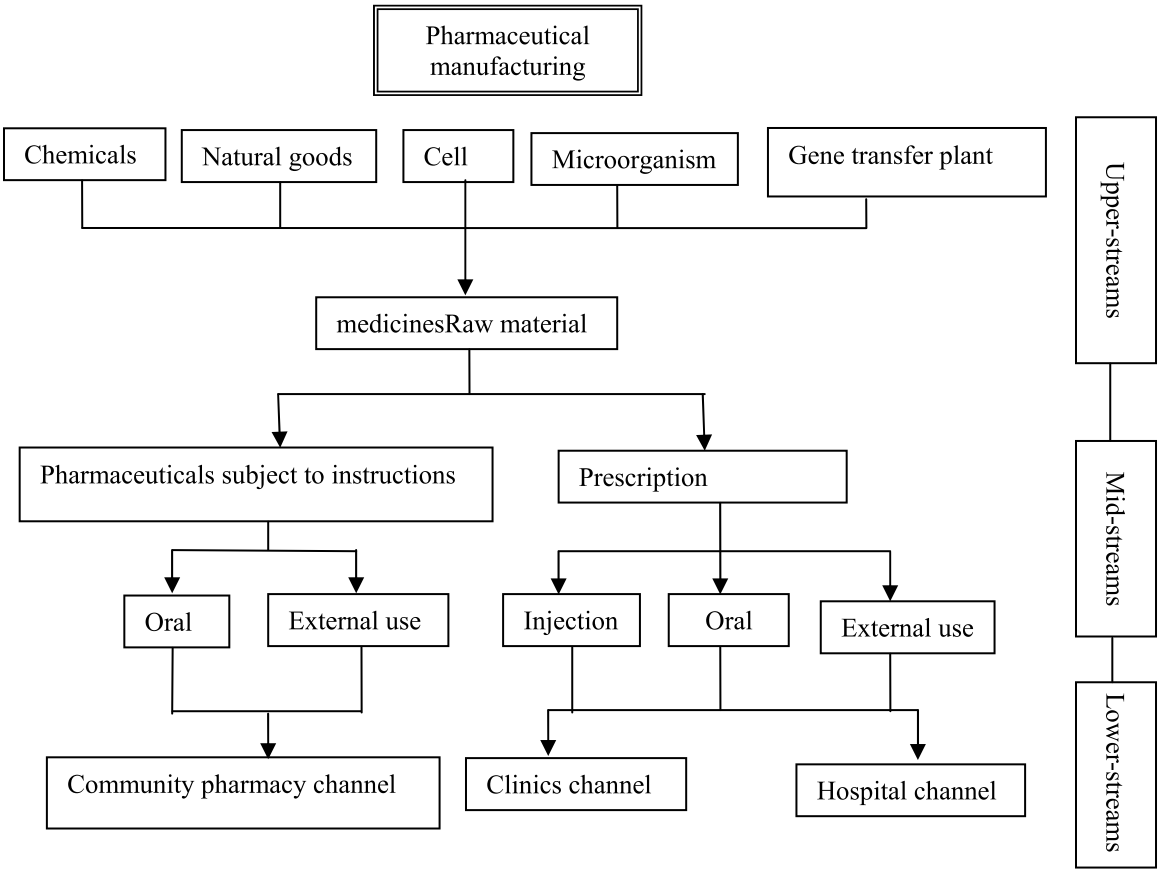
With the biotech industry being one of the Taiwan government’s focal spearheading industries, and also among one of the critical items in Executive Yuan’s “5 + 2” industry innovation policy’s “biotech industry innovation promotional campaign,” the “biotech industry innovation promotional campaign execution center” has in January 2017 been formally inducted. The “biotech industry innovation promotional campaign execution center” streamlines the industry, academic sector, medical field and institutional entities’ resources, and acts as an industry pilot, project management and government think-tank synergy role, through which to execute the industry innovation campaign’s promotional performance. Given that industry development requires working through an industry value chain’s integration platform in order to speed up the industry development, thus in the inception of the “biotech industry innovation promotional campaign execution center” it has been given the industry synergy integrating role and also assists in accelerating the local biotech medical industry’s product and technology innovation, promoting Taiwan to become an important Pan-Asia biotech hub.

(2) The Ministry of Health and Welfare’s promoting the “new southward medical health collaboration and industry chain” flagship plan:

With rapid development of the emerging markets across Southeast Asia and among South Asian countries and the like, in 2016, the Executive Yuan has presented the “new southward policy promotion plan” and in 2017, the Ministry of Health and Welfare (MFW in short) further promotes the “new southward medical/health cooperation and industry chain development” flagship project, with plans to inject close to NT$100 million in 2018 to promote the new southward medical/health cooperation, and also hones in on India and Indonesia, Thailand, Vietnam, Malaysia of 8 focal countries, utilizing A. pliant strength integration: talent culmination, synergy installation and bilateral cooperation; B. Supply chain integration: promoting a medical/health industry supply chain and the new southward market integration; C. regional markets integration: utilizing laws and regulations to strengthen and mitigate the new southward markets’ medical/health laws and regulations, systems and mutual partnership integration; D. humans and human- integration: installing a pandemic regional joint prevention network, by embracing the direction of four major integrations.

The Ministry of Health and Welfare’s “new southward medical/health cooperation and industry chain development” flagship plan’s promotion can be expected to expand and install the influence of Taiwan in new southward-related countries, and it is also relying on the project to achieve the below objectives: A. utilizing a comprehensive medical/health cooperation and relevant industry chain integration to increase Taiwan’s medical devices, drug product, medical management services and related products/services’ export opportunities and productivities; B. Strengthening offshore pandemic prevention, by which to install a safe regional joint prevention network, and to safeguard the population’s health and safety; C. Deeply-rooting the development of relationships with Southeast Asia, South Asia and Australia/New Zealand among other countries, to bridge the regional exchange development and cooperation, by which to reshape Taiwan with a new model in economic development, and create new value in Taiwan's biotech, pharmaceutical industry in the future.

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



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

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

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

3. A variety of development trends for products

Legal/regulatory reform encourages and also accelerates new drug/emerging biotech medical drug products' development:

Taiwan's legal reform continues towards encouraging emerging biotech medical drug product development and accelerating new drug debut promotion. In January

2017, the presidential office announced an amendment of the “Biotech New Drug Industry Development Act” article 3 provision, by deregulating high-risk medical devices' recognition range and a new appendix on emerging biotech pharmaceutical products as the act’s applicable subjects and which has also streamlined precision medical products, genetic treatment products, cell treatment products and debated on OEM new drugs’ patented new drugs(Paragraph IV drug products) per the U.S. “drug price competition and patent period reinstatement act” into the emerging biotech pharmaceutical products’ designated items. This encourages local operators to inject developing relevant biotech pharmaceutical emerging technology and products. In February 2017, the Executive Yuan Passed the “national drug review center installation act (the draft bill)”, which calls for installing a “national drug review center,” enabling to simplify the new drug debut review from a three-stage process to a two-stage process, together with stepping up spearheading and consulting new drug R&D. The Ministry of Health and Welfare has announced the “drug breakthrough treatment recognition operating guidelines,” “drug clinical testing plan review process refinement measures” and amended the “medical treatment law enforcement details” through which to excel clinical testing’s review time efficiency and assist in excelling the local clinical testing’s global competitiveness. Among them, the “drug clinical testing plan review process refinement measures” also formulate a “cell treatment/genetic treatment products’ clinical testing plan’s swift review mechanism,” which is poised to encourage and speed up the development of local emerging cell treatment/genetic treatment products. Moreover, to assist the study and review of local emerging biotech medical laws and regulations, and also to strengthen communication with the operators, the Science Council’s joint reporting, through plenary department meeting discussions, had the Ministry of Health and Welfare founded in January 2018 a “biotech laws and regulations’ strategic consultation meeting,” by focusing on the precise medical treatment, digital medical treatment, regenerative medical treatment, drug clinical testing review, health insurance pricing actuation and related subjects to duct study and review, by which to speed up bridging the local and global biotech pharmaceutical legal and regulatory trends, and to bridge the development of Taiwan’s biotech pharmaceutical industry. Furthermore, the Ministry of Health and Welfare has amended the “drug dispensing items and payout standards” by focusing on new drugs first debuted internationally in Taiwan and also command clinical value to secure more preferred health insurance activated price, complete with expanding the new drugs applicability scope, from the content of new drugs expanding to new drugs, meaning new dosage, new dispensing means and new treatment compound formulation and related new drugs as defined by the Pharmaceutical Affairs Law would meet the qualifications. Through these encouragement mechanisms to excel the operators’ desire towards developing innovative new drugs/treatment methods.

The Legislative Yuan has in the third reading passed the “Pharmaceutical Affairs Law” partial provision amendment draft bill, to instill the new applicable symptom drug data with dedicated protection and to establish a patent linkup system:

The Legislative Yuan has on December 29, 2017 at the third reading passed the “Pharmaceutical Affairs Law” partial provision amendment draft bill, to install the new applicable symptom drug data with dedicated protection and to establish a patent linkup system. On the data dedicated protection portion, the appended newly applicable symptom drug data falls under a 3-year protection plan and those with local clinical test data are under a 5-year protection. Installing the patent linkup system allows utilizing patent information disclosure when a new drug debuts to temporarily cease to approve and issue a permit (subsequent review) period over 12 months during the review proceedings when a generic drug applies for debut, intended to alleviate patent disputes and a first generic drug successfully undergoes a patent challenge or exclusion is given a 12-month exclusive market sale period. The newly appended applicable symptom drug information is considered as a safeguard and patent linkup system, which will strengthen the intellectual property claims of drugs in Taiwan, excel new drug protection and is conducive to extending the product life cycle of patented drugs. Following the induction of the patent linkup system, there might be circumstances of rampant brand patent information petitioning and the occurrence of unwarranted litigation, resulting in delaying the debut of generic drugs, undermining the local drugs' health insurance price activating timing and increasing the relevant costs. With the relevant implementation date not yet being confirmed at present, the implementation of patent linkup would initially pose certain impact and challenges to Taiwan's pharmaceutical industry.

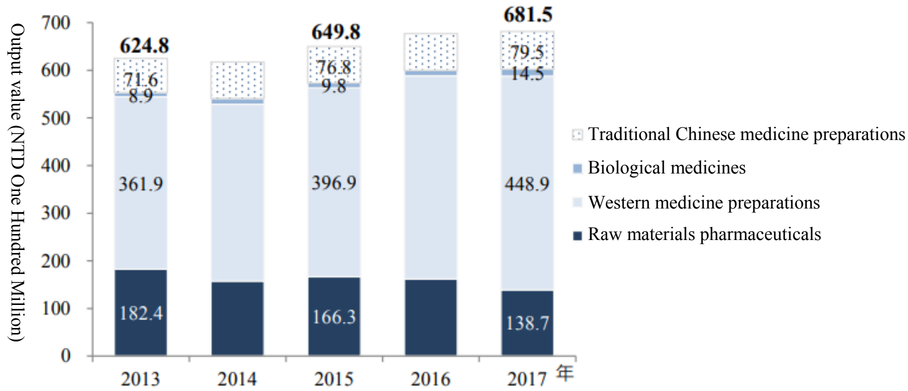
The "Taiwan cancer moon-landing plan" accelerates the realization of precise cancer treatment:

In August 2016, Taiwan joins the U.S.-spearheaded "cancer moon-landing project," collaborating with many counties in utilizing the "protein genetics" strategy to conduct large-scale patients analyses, for exploring a cancer occurring mechanism, screening and treatment leads. In October of the same year, the "cancer moon-landing project" has been streamlined into the "biotech industry's innovative promotional program's" direction for "developing niche-based precision medicine, intended to bridge the global focal monitoring strategy by installing a "Taiwan cancer moon-landing project." In 2017, the "Taiwan cancer moon-landing project" phase-one, five-year (2017~2021) work items and objectives have begun execution, in anticipation to installing a first large-scale "cancer multibody large volume database and think-tank" in Taiwan, by which to develop innovative precise cancer medical treatment in Taiwan. The company anticipates participating in a cross-border collaborating platform in the future to amalgamate global technology and cancer patient data, by which to speed up materializing Taiwan's cancer precision medical treatment.

4. Facts in competition

Taiwan's pharmaceutical industry's development and industry productivity change:

As Taiwan's pharmaceutical industry is curtailed by the health insurance drug price cutting policy to result in confining the local market growth, coupled with production cost hikes on raw material drugs, the aggregated industry competition among other challenges have resulted in a decline in productivity, affecting the pharmaceutical industry's compound annual growth rate (CAGR) to be at -1.9% between 2013 and 2017. In 2017, Taiwan's pharmaceutical industry's Western products' productivity has although growing by 5.3% was affected by raw materials drugs productivity decline. The overall pharmaceutical industry's productivity is at NT$68.15billion, up by 0.7% when compared with 2016. Fluctuations to Taiwan's pharmaceutical industry between 2013 and 2017 are as indicated in the table below:



Sources: The Statistics Department of Ministry of Economic Affairs; DCB Asset Section, Organized by IT IS Research Team (June 2018).

To analyze the change in productivity by secondary industry, Taiwan's 2017 raw materials drugs, as hindered by NT$ appreciation, global raw materials, drug makers grabbing orders at low prices, upstream raw materials' supply problems and customers adjusting inventories, have a productivity of NT$ 13.87 billion, down by 14.2% when compared with 2016. The Western drug products, thanks to a productivity stabilization, has a 5.2% growth in productivity in 2017, reaching $44.89billion. An increase in vaccinations due to the flu pandemic in 2017 has helped organic drug products' productivity to grow by 27.6%, reaching $1.45billion. The 2017 Chinese drug products' productivity remains in a steady growth, with productivity reaching $7.95billion, up by 2.8% when compared with 2016.

Taiwan's pharmaceutical industry has long been in a trade deficit mode, and the trade deficit also continues to expand, where its 2017 yearly pharmaceutical industry's total import amount is at NT$ 105.1 billion, up by 10.6% than in 2016. The total export amount was affected by the NT$ appreciating, on exports of various drug categories, except the Chinese medicine products, have all declined in 2016, with Taiwan's pharmaceutical industry's 2017 export amount at NT$ 16 billion, down by 7.6% when compared with 2016, reflecting a 2017 trade deficit amount at $89.1 billion.

By analyzing Taiwan's pharmaceutical industry's major import/export countries, Taiwan's imported drugs mainly come from Europe, the U.S., Japan among other advanced healthcare countries, and in 2017 Germany still reigns as the lading import country to Taiwan, with the ratio also continuing to rise, from 18.4% on the total import amount in 2016, up to 19.4% in 2017, with import amount at NT$ 20.43billion, up by 17.1% than 2016; followed by the U.S. import amount at $14.59billion, which accounts for 13.9%; third to fifth places respectively are France, Ireland and Switzerland. In 2017, Taiwan's drug products are exported to 85 countries worldwide, with top five export countries in a sequential order being the U.S. (which accounts for 28.4%), Mainland China (which accounts for 16.8%), Japan (which accounts for 10.0%), India (which accounts for 5.1%), Vietnam (which accounts for 4.9%), with the top five export countries account for 65.2% of the overall total export amount, with export countries' concentration level up by 58.7% when compared with 2016. Among Taiwan's major export counties, the amounts exported to the U.S. and Mainland China continue to growth, with growth rate reaching 17.6% and 26.1%, respectively, making them continue to reign as first and second major export countries, while the export amount for exports to Vietnam, thanks to a growth rate as high as 69.4%, which has thus propelled Vietnam to be the fifth largest drug products' export country to Taiwan.

The top five import/export countries for Taiwan's pharmaceutical industry between 2016 and 2017 are as depicted in the table below:

Unit: NT$ per hundred million dollars; %

Rank	2016			2017		
	Country	Amount	Ratio accounted	Country	Amount	Ratio accounted
Top 5 major importing countries						
1	Germany	174.5	18.4	Germany	204.3	19.4
2	U.S.	119.2	13.8	U.S.	145.9	13.9
3	Ireland	95.9	10.1	France	92.7	8.8
4	France	80.4	8.5	Ireland	91.5	8.7
5	Japan	67.5	7.1	Switzerland	68.5	6.5
Top 5 total		537.6	57.9	Top 5 total	602.8	57.4
Top 5 major exporting countries						
1	U.S.	38.8	22.4	U.S.	45.5	28.4
2	China	21.3	12.3	China	26.9	16.8
3	Japan	18.1	10.5	Japan	16.1	10.0
4	Australia	14.4	8.3	India	8.2	5.1
5	Belgium	9.0	5.2	Vietnam	7.8	4.9
Top 5 total		101.6	58.7	Top 5 total	104.4	65.2

Note: Due to numeral rounding, the sum of the various countries' figures and the total figure vary slightly.

Source: Customs statistical database, Customs Administration, Ministry of Finance, Republic of China; sorted by DCB asset unit IT IS research team (June, 2018)

Overview of merger and acquisition:

News aplenty on the local merger and acquisition case, as a total of eight local merger and acquisition cases have occurred between 2017 and March 2018, including an organizational re-shuffle within the same group for integrating group resources, cutting down operating cost, *i.e.* the merger between Microbio Group-invested Fountain Biopharma Inc. and Synovel Sciences, for utilizing the two sides' mutually compensatory characteristics in resources integration and management and talent and resources sharing; Microbio and its 100%-reinvested subsidiary Lee Chen Biotech in a simple merger; and Naturewise Biotech and Medicals and its 100% subsidiary Spring Biotech in a simple merger. As local operators rely on merger and acquisition to strength technology, expand productivity and extend distribution network, OBI Pharma and monoclonal antibody development firm AP Biosciences' shareholder ABProtix have sought a share swap, through re-investment in new share issue to assume AP Biosciences' shares and through acquiring AP Biosciences, it strengthens its antibody new drug's R&D capability; TWI Pharmaceutical has in November 2017 acquired approximately 95% of Synpac-Kingdom Pharmaceutical's shareholdings at not more than two hundred million New Taiwan dollars, in December 2017, Synmosa Biopharma announced its voting to 204 Taiwan drug certifications under the flagship of Synpac-Kingdom at approximately one hundred forty million New Taiwan dollars, by which to expand its ophthalmology product portfolio, and also amalgamate its drug certifications and distribution network; Bora Pharmaceuticals acquires U.S. Impax-held IMPAX's one hundred percent shareholdings and plant equipment at eighteen million five hundred thousand U.S. dollars, by which to acquire Impex's OEM contracts where Impex produces on an OEM basis U.S. Impax products for exporting to the U.S., and also to sign with Impax for Parkinson disease brand-name drug

Rytary's Taiwan distribution contract. With local producers relying on mergers, acquiring foreign technology to excel their innovative capability, Formosa Laboratories, Inc. has acquired Japan Activus at a total transaction cost of twelve million U.S. dollars and five million Japanese yen, to acquire the Activus pure nano-particle technology (APNT).

Taiwan's Western medicine products industry currently remains primarily in producing and manufacturing generic drugs, and for how the Taiwan's drugs market is curtailed by the national health insurance system's payout on drug prices and a policy of gradually reducing the drug products' payout prices over the years, it is estimated that Taiwan's generic drug market's growth rate would taper, with CAGR being at 4.0% between 2017 and 2022, but still higher than the Taiwan's overall drug market's CAGR, with sales on generic drugs pegged approximately at $64.1billion by 2022. In light of the limited local pharmaceutical products' market scale, the company vies to expand its global market presence and speed up enterprise R&D transformation, by embracing towards developing difficult generic drugs, Paragraph IV generic drugs, biologic similar drugs or improved new drugs, niche-based new drugs and related higher value-added products deemed necessary, while how best to make smart use of the industry value chain's integration or global strategic alliance collaboration, through merger and acquisition to excel the operating yield and hedge the risks would be issues that Taiwan's generic drug operators need to stringently consider in the future. When faced with OTC drug market's tapering growth, and the dynamic competition of global brands, Taiwan's local OTC pharmaceutical operators need to continue investing in strengthening marketing promotions, by excelling the strength, brand image and brand recognition, by which to deeply-root the brand characteristics to the consumer's cognitive awareness, and through PIC/S GMP certification's international production quality standards to develop global market brands and distribution networks, for venturing into the global market.

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

1. In the latest year until the date as of Annual Report issuance, CCPC invested a total of NT$ 504,457 thousand into pharmaceutical research & development which will slightly increase to NT$ 481,784 thousand in 2019.
2. Research & development fruits:
   (1) The 2018 human drugs derived through in-house research and development and also applied for validation registration in new product items totaling 5 items, which include: 2 items in drugs fighting psychological diseases, 1 item in non-addictive painkiller and anti-inflammatory drug, 1 item in Astemizole drug and 1 item in the treatment for urinary system diseases.
   (2) The 2018 animal use products derived through in-house research and development and also apply for validation registration in new products totaling 4 items: 1 item in antifungal agent, and 3 items in antibacterial agents.
   (3) In 2018, the Company successfully accomplished a total of three items in independent research & development, application for procedures concerning registration and market approval in export oriented drugs for human use OEM.
   (4) In China, the Company successfully obtained 32 categories and 47 specifications of solid dosage forms; 18 categories and 68 specifications for power, injection dosage forms.
3. Future research & development programs:
   (1) In the operating strategy as an "integrated pharmaceutical manufacturer", CCPC shall land in the international community markets to set up teammate relationship with bulk pharmaceutical chemicals (BPC), finished products through vertical

integrated research & development with the overseas cooperative partners.

(2) Teaming up with cooperative partners with marketing channels in the international community, the Company will try to create strategic alliance to jointly develop the international markets for generic pharmaceuticals.

- ■ Continued efforts to boost research & development capability.
- ■ Promoting brand images

(3) Taking advantage of the special key technology & know-how platforms, the Company will boost market at home and abroad.

(4) In response to the market trends and demand for generic pharmaceuticals, the Company will launch tremendous research & development efforts toward niche products to satisfy the vast demands in European and American and Japanese markets to better satisfy customers at home and abroad in high quality and high competitive edge.

(5) Close teamwork among business, academic, research and government celebrities to develop new pharmaceuticals.

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

1. Short-term business development programs:

(1) Develop toward giant scale hospital channels with wholehearted efforts

(2) Develop new product lines, new market channels with wholehearted efforts.

(3) Develop and serve grassroots level medical institutions and drugstores with wholehearted efforts to boost customer coverage rate and transaction amounts.

(4) Strive for opportunities for affiance with counterparts with wholehearted efforts

2. Long-term business development programs:

(1) Set up main force category customer bases.

(2) Land in the international markets through professional OEM.

(3) Further develop markets in European and American regions and Japan.

(4) Develop toward medical treatment instrument markets.

(5) Develop health service oriented merchandise and design modulized cooperative programs

II. Markets, production and marketing in summary:

(I) Market analyses:

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

The Company's animal health products have primarily been marketed toward pig farms, chicken farms, dairy farms, feed manufacturers, animal hospitals, drug product stores, foreign agent and such customers. In the total animal health products markets, the Company holds approximately 8.5 % market share. The Company's household effects are mainly marketed through retail channels island wide in entire Taiwan, including hypermarkets, supermarkets, convenience stores, cosmeceuticals stores, Government Servant PX Center, Whole Associated Clubs and the like. The Company's health-care items are primarily marketed through chain drugstores. The Company renders health oriented services toward general public in communities, clinics and large-scale hospitals.

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

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

In the aspect of animal use product market, as curtailed by environmental protection laws and regulations' restrictions and compliance, the livestock industry is less prone to expansion and small ranches revamping feeds through contracts with feed producers in a bid to improve competitiveness. Also with stringent control on food source's animal drug residue, the government has deleted some of the additive agents' classification on foods containing drugs, together with promulgating the Veterinarians Prescription Drug Management Measures, to stringently manage antibiotic use, in response to the consumers' demand for food safety. This has resulted in market supply over demand, driving the pricing competition to be fierce, and stifling the animal drug market's growth. Its future development will tend towards the animal nutritional care domain and animal vaccine market, by actively marketing a variety of nutritional care products and developing or introducing vaccines for sale, but avoiding the pricing competition on loose antibiotic treatment products and drug-included feed additives. We shall exert added efforts toward management and sales of high gross profitability products to restructure our products and sales to boost gross profitability.

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

1. Key purposes of our principal products:

(1) In terms of generic pharmaceuticals and medicated pharmaceuticals: We shall provide general public for health care and medical treatment with medicines to enhance their health.

(2) Animal health products: We shall try to provide pharmaceuticals toward animal medical treatment and disease prevention.

(3) Feed additives: The Company provides additives to be mixed with animal or aquatic feeds to maximize the feed efficacy, assure feed quality to enhance livestock, poultry and aquatic growth, assure their health and offer other purposes.

(4) Daily chemical product: Including notably medicated soaps, toothpastes, body lotion, mouth wash and facial cleansers and such detergents and health enhancement articles.

(5) Health foods: We offer the third generation functional foods to enhance public health.

2. Manufacturing process:

(1) Tablet manufacturing process (Tablets, capsules, antibiotics, commissioned processing, Products under cooperation):

A. Tablets: Raw materials → Weighing → Smashing → Dry granulation → Mixing → Tablet-formation → Grading → Quality control → Warehousing.

↓→ Film-coated →↑

B. Capsules: Raw materials → Weighing → Smashing → Mixing → Filling → Grading → Wiping → Packaging → Quality control → Warehousing.

(2) Injection manufacturing process (Injections, animal health foods, antibiotics, commissioned processing, Products under cooperation):

Raw materials → Weighing → Modulation → Filtering → Gas Filling → Melting → Sterilization → Leak test

Containers → Bottle-wash → Dry sterilization → Filling → Rubber plugging → Aluminu capping → Sterilization → Grading →

Packaging → Quality control → Warehousing.

(3) Liquid & cream manufacturing process (Liquid & ointment suppository, animal health foods, commissioned processing, Products under cooperation):

A. Liquid: Raw materials → Weighing → Modulation → Filtering → Storage → Filling → Capping → Packaging → Quality control → Warehousing.

Containers → Bottle-wash

B. Ointment: Raw materials → Weighing → Modulation Emulsification → Cooling → Filling → Weight grading → Packaging → Quality control → Warehousing.

C. suppository: Raw materials → Weighing → Modulation Emulsification → Filtering → Heat preservation & storage → Filling → Packaging → Quality control → Warehousing.

(III) Supply status of major raw materials:

The Company's raw materials are primarily oriented to in coordination with product development to effectively deal with competition in sales (including both at home and abroad), Including notably: Cardiovascular hypertension circulatory system medicines, digestive tract gastrointestinal system medicines, respiratory system medicines, nervous system medicines, anti-infection system medicines, diabetes endocrine system medicines, psychiatric medicines, cancer oriented medicines, immunosuppressive agent, Antipyretic analgesics, prostate medicines, antihistamine, nutritious supplementary, livestock & poultry medicines and supplementary supplies.

Our regular suppliers are renowned manufacturers from European and American regions, India, China in the very premise of satisfying the laws and ordinances concerned currently prevalent within the specifications of the up-to-date pharmacopoeia. Where TFDA is imposing increasingly harsher demand upon raw material importation and GMP is adopting increasingly strict certification criteria, we are running into added difficulty acquiring raw materials and are likely to run into mounting costs. Anyway, nevertheless, we shall put forth maximum possible efforts to safeguard our optimal quality and most competitive pricing to gain added profits, as our supermen objectives. Besides, we provide those product items available from relevant departments toward international markets to live up the trends, to broaden our product horizons and create greater profits.

(IV) The most recent two years' major incoming/outgoing goods client list:

1. Clients accounting for ten percent of the combined total incoming goods amount in any one year of the most recent two years:

   There is no one single customer that accounts for ten percent or higher of the combined total incoming goods amount.

2. Clients accounting for ten percent or more of the combined total sales amount in any given year of the most recent years:

   There is no one single customer that accounts for ten percent or more of the combined total sales amount.

(V) The output values over the past two years: Output value expressed in NT$ Thousand.

Classification \ Year			Productivity	2017		2018	
				Outputs	Output value	Outputs	Output value
Human oriented drugs	Injections	Expressed on one thousand pieces	54,600	43,482	663,963	50,179	781,664
	Liquid creams	Kg.	574,000	115,658	53,664	1,346,540	66,405
	Tablets	Expressed on thousand pieces	2,296,000	1,896,384	2,049,670	2,098,473	2,272,201
Animal health products	Injections	Expressed on one thousand pieces	2,650	628	50,632	646	50,463
	Liquid creams	Kg.	84,000	57,642	33,229	79,805	40,098
	Feed additives	M. T.	5,124	1,657	268,018	2,011	278,300
Plastic containers		M. T.	947	569	61,075	576	60,086
Total					3,180,251		3,549,217

(VI) Sales volume & value over the past two years: Sales value unit: Expressed in NT$ Thousand

Classification \ Year				2017				2018			
				Domestic sales		Export		Domestic sales		Export	
				Sales volume	Sales values	Sales volume	Sales values	Sales volume	Sales values	Sales volume	Sales values
Own products	Human oriented drugs	Injections	Thousand pieces	42,887	938,389	333	36,207	48,016	1,265,547	412	60,165
		Liquid creams	Kg.	115,902	107,176	1,092	1,239	1,399,266	121,872	1,325	1,653
		Tablets	Expressed on thousand pieces	1,823,109	2,808,552	122,711	430,952	1,927,150	3,621,297	123,697	421,382
	Animal health products	Injections	Thousand pieces	632	83,061	0	0	656	86,400	0	0
		Liquid creams	Kg.	59,769	55,819	0	0	85,547	67,752	0	0
		Feed additives	M. T.	1,644	347,752	0	0	1,967	368,178	0	0
	Plastic containers		M. T.	563	61,632	0	0	571	72,094	0	0
Instrument	Daily use health-care products		M. T.	2,585	361,864	0	0		391,454	0	0
	artificial joint prosthesis		piece	94,001	356,595	0	0	89,469	324,446	0	0
	Pharmaceuticals and others			-	622,523	-	33,046	-	731,842	-	46,154
Total					5,743,363		501,444		7,050,882		529,354

III. Employees:

Item \ Year		2017	2018	Year-to-date March 31, 2019
Number of employees	Administrative staff	91	91	90
	Quality controllers	133	141	142
	Manufacturing personnel	688	704	733
	Research & development specialists	106	100	98
	Marketing personnel	594	619	623
	Total	1612	1655	1686
Average ages		39	40	40
Average years of service		6.9	7.4	7.2
Academic qualification	Doctoral Degree	0.32%	0.24%	0.242%
	Master's Degree	8.27%	8.80%	8.698%
	Bachelor's Degree	61.14%	62.02%	61.399%
	High school	20.87%	19.64%	18.979%
	Below high school	9.41%	9.30%	10.682%

IV. Information of expenditures on environmental protection

In the latest year until the date as of Annual Report issuance, the Company has not developed any impairment in pollution (including compensation) and penalty thereof. In 2017 and 2018, the Company spent NT$ 1.82 million expenditure in coordination with environmental protection evaluation on soil and groundwater.

V. Capital-labor relationship:

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

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

(1) The entire CCPC staff members are entitled to labor insurance/national health insurance, labor pension and group insurance policy (with group insurance policy insurance premium solely paid by CCPC in full).

(2) In the plant zones, the Company provide dorms for family dependents and for single employees. To provide boarding employees to be able to enjoy a more comfortable, safer, functional lodging environment, there are plans to start renovating the Xinfeng plant area and Tainan plant area's dormitories in 2019.

(3) Recreational facilities

(4) Granting of birth gift cash to each and every CCPC employee.

(5) Granting of gift award in cash upon the Labor Day and three Festivals (Chinese New Year, Dragon Boat Festival and Mid-autumn Festival)

(6) The Company has duly set up the Employee Welfare Committee to carry out a variety of social programs and fringe benefits for employees (e.g., gift money upon marriage, funeral, birthday parties, company tours on spring and autumn,

gifts offered on Middle-Autumn Festival (better known as Moon Festival), year-end evening gala, ball games among lots of others)

(7) At cash re-investment, it offers an opportunity for the employees to pledge for shares: There are no cash re-investments in 2018.

(8) Those reaching a certain seniority during the service tenure period are entitled to shareholding trust allocated deposit incentive (qualified employees may freely present the application). In 2018, there are a total of 1,106 qualified employees, with employees applying for employee shareholding trust allocated deposit totaling 777 employees, at a ratio of 70%.

(9) Working study for a master or doctoral degree receives tuition subsidies. In 2018, two employees satisfactory to the requirements under "Regulations Governing Incentives Granted to Encourage Employees into Higher Education", two in number, studied in domestic Graduate Schools. The Company granted a total of NT$ 23,654 subsidy for the tuition fees. The associates, when encountering circumstances of child nursing, critical injury/sickness, critical incidents and the like, may also apply for a position withheld pay suspended leave, and then re-apply for reinstatement at expiry, to also address their personal and family care needs,. In 2018, 3 male employees and 19 female employees applied for child nursing and a total of 16 employees on sick/injury and incident leave applied for a position withheld pay suspended leave.

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

The Company spares no effort to help entire staff members into higher expertise, skills, working performance, quality of products. All departments have worked out sound educational & training programs exactly in response to need in the workplaces. The Company’s Human Resources Department has further executed contracts and teamed up with outsourced educational & training institutions and universities to sponsor such training curricula on organizational management, business administration and professional skills either on a regular basis or from time to time on a nonscheduled basis. Further in response to substantial needs, the Company selects and assigns right employees to receive educational & training programs under the auspices of outside institutions to strengthen employees in their expertise. Just to offer sound incentives to encourage employees into higher educational & training programs to keep abreast with up-to-date concepts and intellectuals, the Company has duly stipulated "Regulations Governing Encouragement toward Staff Members into Higher Educational & Training Programs" whereunder, all CCPC employees who meet the qualification requirements may engage in in-service higher education programs to study and work on master and doctoral degrees at the mean time while serving with CCPC. The Company further grants handsome subsidies when staff members work on professional educational & training programs at home or abroad.

Facts of enforcement 2018:

(1) Educational & training programs for newcomers, benefiting a total of 88 trainees at the total training costs of NT$ 111,572.

(2) In-house educational & training programs aiming at a variety of professional functions for staff in all levels, benefiting a total of 7,791 trainees (excluding safety & health oriented training programs)

(3) In-house educational & training programs for employees toward their first, second and third specialties, with successful training for 172, 38 and 13 trainees in accumulation as of December 31, 2018.

(4) The Company assigned right trainees to receive professional educational & training programs under the auspices of outside training institutions to benefit a

total of 147 trainees, with total training fees amounting to NT$304,943 (with NT$18,130 incentive award granted by the Workforce Development Agency, Ministry of Labor)

(5) The Company signed contracts with outside professional training institutions for general education curricula in three phases in seven years, for a total of 316 trainees for whom the Company granted NT$1,174,617 training fees.

(6) Hosting an executive leading development program collaborating with business management consulting firms, with a total of 56 attendees, and a total training cost amounting to $1,711,655.

(7) Employees satisfactory to the requirements under "Regulations Governing Incentives Granted to Encourage Employees into Higher Education", two in number, studied in domestic Graduate Schools. The Company granted a total of NT$23,654 subsidy for the tuition fees.

(8) In an attempt to minimize the severance rate, the Company launched senior sistership system to train a total of 12 employees, at NT$431,200 total training fees (In 2018, the Company successfully passed the review process by the Workforce Development Agency, Ministry of Labor for the training programs and hands-on enforcement to grant a total of NT$431,200 incentive award).

(9) The Company opened English training seminars where a total of 12 employees participated and completed the programs. For the programs, the Company offered NT$161,280 training fees (In the wake of successful pass in the evaluation process, the Company received NT$115,200 incentive from the Workforce Development Agency, Ministry of Labor).

(10) Internal lecturer developmental training, with cumulative internal lecturer count having completed the developmental training totals 337 employees.

(11) Under the CCPC-Academy Cooperation Programs, the Company has teamed up with universities/colleges at home and abroad into internship and hand-on workplace training programs to build talent pool. In 2018, CCPC closely teamed up with National Taiwan University, National Cheng Kung University, Soochow University, Taipei Medical University, Kaohsiung Medical University. China Medical University Hospital, Chia Nan University of Pharmacy & Science, Tajen University, National Chin-Yi University of Technology, Minghsin University of Science and Technology, National Pingtung University of Science and Technology, Chung Hwa University Of Medical Technology as well as Yuanpei University of Medical Technology into CCPC-Academy Cooperation and practicum programs. In total in 2018, CCPC through such efforts cultivated 68 higher education students.

(12) Fruits in educational & training programs - Thanks to the exceptional CCPC efforts, the Company was awarded by the Workforce Development Agency, Ministry of Labor bronze medals for three years in a row. In 2018, the Company was granted financial subsidy amounting to NT$ 415,530.

3. Retirement system and enforcement thereof:

On the grounds of Labor Standards Act, the Company has duly stipulated Regulations Governing Retirement by Employees. Under such Regulations, the Company allocates labor pension reserve fund into management of "Labor Pension Reserve Fund Supervisory Committee". Further as required under Labor Standards Act (under old system), the Company allocates full amount of pension reserve fund and deposits it into the Bank Account Earmarked for Labor Pension Fund in Bank of Taiwan. Since July 1, 2005, the employees who choose Labor Pension Act (new system) and newly hired employees appropriate 6% of their monthly salaries on a monthly basis as their pension reserve fund into their special individual accounts opened with Bureau of Labor Insurance. Such policy and efforts will well safeguard sound interests of CCPC employees.

The company adheres to the Labor Pension Act's applicable regulations as follows:

1. Voluntary retirement:

   Workers encountering one of the following circumstances may apply for retirement: (those choosing the Labor Pension Act are processed per the same act's regulations).

   (1) Those having worked for fifteen years and also aged over fifty-five.

   (2) Those having worked for twenty-five years or longer.

   (3) Those having worked ten years or longer and reaching the age of sixty.

2. Mandatory retirement:

   Of employees other than those meeting one of the circumstances below, the company may not force them to retire:

   (1) Aged sixty-five.

   (2) Those suffering from mental disability, physical disability to be deemed incompetent to render the work.

   The preceding section article 1 specified age for those rendering work with a hazardous, strong stamina and related special nature, the company may declare with competent central government authorities for approval to adjust it. However, it may not fall below fifty-five years of age.

3. Pension payout standard:

   (1) Of employees eligible to the working seniorities before and after the Employment Standards Act and choosing to stay on "Employment Standards Act" pension regulations per the Employment Standards Act or retain their working seniority prior to the applicable Employment Standards Act, their pension payout and the standard are calculated and paid out per Employment Standards Act article 84-2 and article 55.

   (2) Of employees commanding the preceding section's working seniorities and are subject to a mandatory retirement per article 35 par I subpar II stipulations, whose mental loss or physical disability has been a result of rendering their duties, their payout is made per Employment Standards Act article 55 par I subpar II regulations plus an additional twenty percent.

   (3) Of employees eligible to the Labor Pension Act regulations, the company allocates a 6% of whose working wages to a worker's individual pension account.

4. Pension payout:

   The company shall pay to its employees when the retirement pension is paid out, within thirty days from an employee's retirement date.

4. Other major accords and enforcement thereof:

To assure harmonious labor relationship to enhance sound teamwork by and between the labor and management to maximize efficiency at work, the Company has set up unions for the respective plant areas. Those unions sponsor labor-management conferences in accordance with the Union Organizational Act. Both CCPC management and CCPC employees have enjoyed admirable harmony. Never have they developed a dispute by and between the two sides.

5. Efforts to safeguard employees in their interests and the enforcement thereof:

(1) Sound communications by and between the management and labor sides

On the employee policy, we commit to respecting the entire employee's entitlements from free association and organizing a union in compliance with the law, and the Xinfeng factory's enterprise union has been formally incepted since 1956 to the present, as manned by a managing director, director, auditor, union staffers and related positions, to safeguard the workers' equity, enhance the labor know-how, maintain the members' equity and also assist in promoting and executing government-related laws and regulations, where both union representative and management representatives convene scheduled and unscheduled communication meetings, and the other plant areas have all selected and appointed labor/management meeting representatives, to convene labor-management meeting with management representatives at least once every quarter, through which the labor and management conduct positive exchange, seek remedy on various types of issues likely to occur focusing on labor-management relations, to bridge the labor-management cooperation, excel the working efficiency, and also prevent a host of labor issues from occurring.

(2) Equal working ambiance

In faithful compliance with labor related laws and ordinances concerned of the nation to firmly safeguard employees in their labor interests, the Company strictly sticks to "equal" principle. Under no circumstances shall an employee receive a discrimination treatment in any aspect as a result of gender, nationality, ethnic race, religion or political stand. In terms of promotion in position ranks, the Company sets no restriction on gender or age at all, completely disregarding employees' birthplaces, native places, political orientation and religion. The entire staff members are absolutely on an equal stance and will be granted a promotion as long as they satisfy the requirements in qualification requirements and capability. Furthermore, the Company has duly stipulated integrated regulations for duty assignment and promotion. The Company strictly complies with the aforementioned regulations in duty assignment and in recruitment of new employees.

(3) Prevention of a potential sexual harassment

In an attempt to prevent and deal with a potential sexual harassment in the workplace to assure an absolutely sexual harassment free circumstance for work and services, the Company has duly enacted "Regulations Governing Prevention and Treatment of Sexual Harassment at Workplaces" exactly in accordance with the "Act of Gender Equality in Employment" and "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace". In case of a sexual harassment event taking place among all personnel in the Company's workplaces (including employees, job applicants, technical interns and other interns) or among employees and job applicants or by and between employees and service targets: The Company offers handy grievance channel to a potential sexual harassment victim, with special phone and fax numbers, mailbox and special e-mail to report a sexual harassment, as enumerated below. All such relevant information is disclosed in the conspicuous positions at all workplaces. To assure appropriate settlement of a sexual harassment grievance, the Company has duly set up the "Workplace Sexual Harassment Grievance & Settlement Committee (hereinafter referred to as Settlement Committee) which is staffed with one chairperson, one executive secretary and seven Committee members (with three representing the management side and four representing the labor side) to participate in in the investigation, settlement and evaluation of a sexual harassment event. In entire 2018, no sexual harassment grievance was ever heard from CCPC employees.

(4) Safeguarding of employees' interests

The company respects internationally recognized fundamental working person's human rights principle, including freedom to form associations, respect of privacy, forbid forced labor and the hiring of child labor, the workplace is banned from making any improper hiring and discriminatory conduct, complete with comprehensive management systems and measures formulated, with the content clearly stipulating the employees' entitlements and obligations, together with routine review and content amendment, to safeguard the employees' equity. Amidst our serious concern about employees in their physical and mental fitness and health, we try not to request employees to work overtime as far as possible. Where an overtime work beyond regular working hours proves absolutely inevitable, we would consult with both the Union and the employees themselves for their consent and fill up the "application for overtime work" before an employee works overtime. The overtime work hours are within the regulations under the Labor Standards Act to assure physical and mental fitness of the employees and their harmonious families. The company vies to continue promoting a diverse range of employees care programs, through which to bridge the employees' physical/mental health, and to also provide a market-competitive wage benefits, in creating a friendly workplace environment for all of its employees.

(5) Safety & health at workplaces

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

(A) The part of organization:

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

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

(B). Offering the employees with protective measures and its implementation status:

a. The Company provides dust masks, helmets, footwear, gloves…, into use by employees.

b. Exactly according to law, the Company duly assigns only the special duty oriented personnel holding required licenses/certificates to operate hazardous equipment & facilities which receive maintenance & upkeep services and inspection on a regular basis. Such special duty oriented personnel should participate in the relevant educational & training programs as approved by the labor safety & health competent authority.

c. According to law, the Company sets up warehouses for hazardous articles which are put under prudential management and custody by special duty oriented personnel holding required licenses/certificates.

d. The Company duly sets up explosion-proof lights and explosion-proof doors as well as such facilities.

e. As required by law, the Company duly conducts cleansing work for environment and equipment to assure definite safety performance.

f. All CCPC employees serving in various plant zones receive labor health examinations on an annual basis.

g. The company holds administering of flu vaccine for its employees yearly, to reduce flu occurrence ratio, avoid spreading the disease from workplace to family and community, and in turn safeguard the associates' family elderly and toddlers.

Facts about health examinations provided for employees in 2018 (The units, number of employees)

Plant zones and office premises	Supervisory heads	Head Office	The Xinfeng factory and its quality assurance division	The Xinfeng II plant and its research institute	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Uming	Total
General health examinations	38	46	252	54	66	47	42	24	315	884
Items of extraordinary health examinations:										
Trichloro ethylene + chromic acid + Arsenic operations			1							1
Chromic acid and its chromate process						4				4
Animals for laboratory purposes			2							2
Trichloro ethylene + chromic acid			4	22						26
Trichloro ethylene			5							5
Cancer screening	38	5	21	18	4				5	91
Dimethyl-formamide operations						4				4
Carbon Tetrachloride					4					4

(C) State of supplied preventive measures and implementation

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

Statistics of the in-house educational & training programs aiming at labor safety & health in 2018

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of educational & training programs provided	38	2	4	1	1	1	47
Total number of hours	114	2	14	2	5	2	139
Aggregate total of trainees	77	95	276	22	4	37	511

Outsourced educational & training programs focusing on safety & health, hazardous articles, noxious substance and hazardous equipment & facilities in 2018

	CCPC	Chunghwa Yuming Healthcare Co., Ltd.
Number of educational & training programs provided	24	1
Total number of hours	562	12
Aggregate total of trainees	24	1

b. To minimize the potential risks in occupation-oriented calamity toward employees, the Company has duly stipulated and enforced programs against potential occupation-oriented calamity.

c. Toward machinery & equipment more subject to hazards, the Company, based on the annual plans, enforces self-examination plans.

d. To remind employees into awareness of hazards and risks as well as safety & health at work, the Company has after another implemented safety & health oriented publicity and dissemination.

e. To assure that all employees will use protective articles in an accurate and appropriate way to minimize a potential risk in occupation-oriented calamity, the Company faithfully implement the plans for use, management and procurement of protective articles.

f. To assure that all CCPC employees will stay calm in the hour of peril with accurate judgment and countermeasure, the Company sponsors one emergency countermeasure program drill for each and every plant region on an annual basis.

Statistics of fire-fighting safety & security drills conducted in 2018

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of fire-fighting drills	2	2	2	2	2	1	11
Total number of hours	8	7	8	8	8	2	41
Number of participants	59	95	138	76	42	37	447

The 2018 emergency response drill (artificial circumstances emergency evacuation) implementation statistics

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of fire-fighting drills	1	2	1	2	2	1	9
Total number of hours	2	7	2	8	8	2	29
Number of participants	156	95	64	76	42	37	470

The 2018 disaster (earthquake) drill implementation statistics

Plant zones	Hsinfong Plant II	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of fire-fighting drills	2	2	2	1	7
Total number of hours	7	8	8	2	25
Number of participants	95	76	42	37	250

g. To provide a sound ground for all plant zones to clean away and manage hazardous and noxious articles and waste, the Company duly worked out and enforced hazardous and noxious substance management plans.

h. To offer a sound ground and guide for all plant zones to assure health and fitness for all employees, the Company duly enforces labor health & fitness management programs.

i. To offer a sound ground and guide for all plant zones in internal audit management, all plant zones conduct a minimum of one internal audit plans focusing on safety & health per annum.

Statistics of interior audit focusing on safety & health conducted in 2018

Plant zones	Hsinfong Plant	Hsinfong Plant II	Taichung Plant	Tainan Plant I	Tainan Plant II	Tainan Plant III	Total
Number of audits conducted	4	2	4	4	12	2	28

j. To offer a sound ground and guide for all plant zones in investigation, analytical management for all plant zones in occupation-oriented calamity, the Company duly conducts analytical management plans with investigation into potential occupation-oriented calamity.

(II) In the latest year until the date as of Annual Report issuance, the impairment incurred by labor dispute, with disclosure of the amounts current and potential occurrence in the future and the Company countermeasures: Where the Company has duly followed the government laws and ordinances concerned to deal with labor issues, no labor dispute has taken place in CCPC.

VI. Major contracts:

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Distributorship contracts	Ono Pharmaceutical Co., Ltd.	Since February 18, 1985~to the present day Since March 28, 1991~ to the present day (Automatically renewed for another year since the expiring day and further expiring day thereafter)	Bao Mo Chang Injection articles O Huo Ai Injection articles	1. The Company shall not sell nor is it allowed to permit sales of contracted products to a region beyond the coverage of the contract 2. Throughout the term of the contract's validity, the Company is not permitted to manufacture, distribute, market the same chemical structure of derivative theref that might possibly incur competition amidst the treatment of the same indications unless consented by ONO in writing.
	Stryker (Greater) China Limited	Three years starting from January 1, 2017	Distributorship and agency for implantation materials for artificial articulation.	The Company shall not manufacture, market or engage in a product in competition against the contracted products in the contracted territories unless consented in writing by the original manufacturer. This Article is equally applicable to all relevant institutions of the Company.
	DAIICHI SANKYO HEALTHCARE CO., LTD.	March 23, 2015 (execution of this Agreement) Date on which the contract becomes effective Five years starting from the date while the products hit the markets.	Sugar-coated tablets	1. The Company shall not sell nor is it allowed to permit sales of contracted products to a region beyond the coverage of the contract 2. Throughout the term of the contract's validity, the Company is not permitted to manufacture, distribute, market the same cold medicine (in the same ingredients) except the products currently available from the Company. 3. Throughout the term of the Agreement's validity and even within two months after the Agreement expires, the Company shall not manufacture, OEM produce products of the same category (in the same ingredients). 4. Exactly as required under the contract, the Company is subject to the restriction of the minimum procurement volume in a year and minimum threshold in a single procurement case.
	Jiu Ying Enterprise Co., Ltd.	2017.01.01~2019.12.31	Execution of a contract for extraordinary products with contracted terms of scope of sales or targets so that the products could be distributed and sold by a customer.	A customer under the contract shall accomplish target sales value under the contract otherwise the Company may, without a need to serve a reminding notice, have the Agreement terminated. A customer shall provide a time deposit certificate issued by a bank to safeguard the Company's creditor's right.
	Ching Tai Pharmaceutical Co., Ltd.	2016.10.01~2019.09.30 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Taiwan Meiqiang Co., Ltd.	2016.08.15~2019.08.14		
	Jin Tai Pharmaceutical Manufacture Co., Ltd.	2016.10.01~2019.09.30		
Contract for commissioned manufacture	Tien Sheng Tang Pharmaceutical Manufacture Co., Ltd.	2015.03.01~2020.03.31 (Automatically renewed for another year since the	As stipulated by the "Criteria for Commissioned Drug	Where the Company commissions CCPA to manufacture the pharmaceuticals licensed and

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
		expiring day and further expiring day thereafter)	Manufacture and Inspection Work," as promulgated by Food and Drug Administration, Ministry of Health and Welfare, Executive Yuan,	permitted for manufacture, the Company shall not transfer the license or permit to a third party or make other change unless consented by CCPA.
	Yu Hsin Hang Co., Ltd.	2014.07.01~2022.12.31		
	Shionogi & Co., (Taiwan) Ltd.	2016.06.30~2019.06.29 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	Daiichi-Sankyo Taiwan Co., Ltd.	2016.04.01~2020.03.31 (Automatically renewed for another year since the expiring day and further expiring day thereafter)	drugs approved and certified with a drug manufacture permit will be commissioned to CCPC for manufacture.	
	Heng Chen Enterprise Co., Ltd.	2016.11.01~2019.10.30 (Automatically renewed for another year since the expiring day and further expiring day thereafter)		
	PhytoHealth Corporation	2019.01.01-2020.12.31		
Contract for technical cooperation	AJIONOMOTO PHAR MA CO., LTD	Since January 1, 1994	Intestinal detergent agent required before large intestinal Endoscopic Exam and before surgical operation for large intestinal surgical operation.	Under no circumstances shall the Company be in contravention of this Agreement by manufacturing the products in competition against this Agreement or import products in competition against products under this Agreement (or similarities); nor shall the Company divulge the manufacturing technology & know-how to a third party; nor shall SEN-XIA-LONG-SHOU execute a contract with a third party within the territories of the Republic of China in contravention of this Agreement. The defaulting party shall assume the responsibility for indemnity.
	Taiwan Zoological Technology Research Institution	Ten years starting from November 2011	Technical cooperation for Boar Fresh Semen Dilution Liquid Formulation and Manufacture	Unless agreed upon by and between both parties, the other party shall not conduct a technical transfer for the Fresh Semen Dilution Liquid Formulation. In case of divulgence of such to a third party, the defaulting party shall be subject to an indemnity in an amount of NT$3 million payable to the other.
Contract for commissioned processing services	Intervet international B.V. Netherlands	2014.9.~2019.9 (Automatically renewed for two more years from the expiring date)	Production & manufacture of Nuflor 2% premix	The Company shall not sell the said products to a third party nor shall the Company sell such products itself, nor shall the Company divulge the formula to a third party. The defaulting party shall assume the responsibility of damage indemnity.
Land Leasehold Agreement	Private Taipei Ren Ji Hospital of Taiwan Province	2015.01.01~2019.12.31	Lot Nos. 336, 337 Gongyuan Section 2, Taipei City under leasehold, 312 ㎡ in total area.	At the monthly rent of NT$320,786 per month Subject to a change along with the rent adjustment by the government authorities during the period of leasehold.
Mid-term and long-term borrowings	Hua Nan Bank	2018.07~2020.07	Credit line in New Taiwan Dollars NT$250 million	Mortgage with real estate
	Mega International Commercial Bank Co., Ltd.	2018.02~2020.02	Credit line in New Taiwan Dollars NT$250 million	Mortgage with real estate

Six. Financial summary

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

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

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

Unit: NT$ thousand

Item \ Year		Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		4,397,285	4,126,345	4,325,687	4,723,432	5.175,775	–
Property, plant, and equipment		4,297,122	4,265,256	4,162,002	4,042,123	3,948,268	–
Net amount of investment oriented real estate		27,856	–	–	–	–	–
Intangible assets		9,900	9,408	34,493	32,369	31,899	–
Other assets		1,577,698	1,511,896	1,434,935	1,478,639	1,610,360	–
Total assets		10,309,861	9,912,905	9,957,117	10,276,563	10,766,302	–
Current liabilities	Before dividend distribution	2,660,194	2,272,282	2,428,855	2,637,037	2,867,910	–
	After dividend distribution	2,839,043	2,451,131	2,607,704	2,815,886	Note 2	–
Non-current liabilities		2,166,115	2,151,166	2,029,937	2,035,831	2,197,235	–
Total liabilities	Before dividend distribution	4,826,309	4,423,448	4,458,792	4,672,868	5,065,145	–
	After dividend distribution	5,005,158	4,602,297	4,637,641	4,851,717	Note 2	–
Equity of the parent company		5,457,537	5,440,993	5,452,393	5,563,143	5,670,558	–
Capital stock		2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	–
Capital surplus		642,284	642,640	642,996	644,659	644,859	–
Retained earnings	Before dividend distribution	1,558,902	1,712,665	1,803,196	1,937,763	2,100,735	–
	After dividend distribution	1,380,053	1,533,816	1,624,347	2,116,612	Note 2	–
Other equity		303,594	132,931	53,444	27,964	(27,793)	–
Treasury stock		(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	–
Non-controlling interest		26,015	48,464	45,932	40,552	30,599	–
Total equity	Before dividend distribution	5,483,552	5,489,457	5,498,325	5,603,695	5,701,157	–
	After dividend distribution	5,304,703	5,310,608	5,319,476	5,782,544	Note 2	–

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

Note 2: The annual earning distribution of 2018 has not been granted a pass by the shareholders' regular meeting. The figure of post-distribution is, therefore, omitted.

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

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

Unit: NT$ thousand

Item \ Year		Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		2,565,439	2,201,713	2,369,008	2,452,141	2,870,206	—
Property, plant, and equipment		3,614,742	3,641,193	3,538,727	3,453,753	3,421,013	—
Net amount of investment oriented real estate		27,856	—	—	—	—	—
Intangible assets		—	—	14,197	12,949	14,149	—
Other assets		3,004,849	2,983,130	2,890,520	2,953,971	2,980,746	—
Total assets		9,212,886	8,826,036	8,812,452	8,872,814	9,286,114	—
Current liabilities	Before dividend distribution	1,711,532	1,351,524	1,454,356	1,407,176	1,553,152	—
	After dividend distribution	1,890,381	1,530,373	1,633,205	1,586,025	Note 2	—
Non-current liabilities		2,043,817	2,033,519	1,905,703	1,902,495	2,062,404	—
Total liabilities	Before dividend distribution	3,755,349	3,385,043	3,360,059	3,309,671	3,615,556	—
	After dividend distribution	3,934,198	3,563,892	3,538,908	3,488,520	Note 2	—
Equity of the parent company		5,457,537	5,440,993	5,452,393	5,563,143	5,670,558	—
Capital stock		2,980,811	2,980,811	2,980,811	2,980,811	2,980,811	—
Capital surplus		642,284	642,640	642,996	644,659	644,859	—
Retained earnings	Before dividend distribution	1,558,902	1,712,665	1,803,196	1,937,763	2,100,735	—
	After dividend distribution	1,380,053	1,533,816	1,624,347	1,758,914	Note 2	—
Other equity		303,594	132,931	53,444	27,964	(27,793)	—
Treasury stock		(28,054)	(28,054)	(28,054)	(28,054)	(28,054)	—
Non-controlling interest		—	—	—	—	—	—
Total equity	Before dividend distribution	5,457,537	5,440,993	5,452,393	5,563,143	5,670,558	—
	After dividend distribution	5,278,688	5,262,144	5,273,544	5,384,294	Note 2	—

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

Note 2: The annual earning distribution of 2018 has not been granted a pass by the shareholders' regular meeting. The figure of post-distribution is, therefore, omitted.

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

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

Unit: NT$ thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	5,297,426	5,627,644	5,781,413	6,244,807	7,580,236	—
Gross profit	1,622,806	1,612,370	1,689,008	1,922,597	2,865,170	—
Operating profit	278,782	245,956	286,435	277,301	336,442	—
Non-operating revenues and expenses	154,092	204,373	100,969	88,762	114,046	—
Net profit before taxation	432,874	450,329	387,404	366,063	450,488	—
Current year profit of continuing business units	350,593	359,951	315,894	306,494	366,947	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	350,593	359,951	315,894	306,494	366,947	—
Current period other comprehensive income (post-tax profit or loss)	194,104	(192,923)	(124,346)	(22,707)	(61,233)	—
Current period other comprehensive income (Gross)	544,697	167,028	191,548	283,787	305,714	—
Net income attributable to owners of the parent company	347,723	353,696	313,209	310,739	369,870	—
Net income attributable to non-controlling interests	2,870	6,255	2,685	(4,245)	(2,923)	—
Total comprehensive income attributable to owners of the parent company	542,044	161,949	189,893	287,936	308,605	—
Total comprehensive income attributable to non-controlling interests	2,653	5,079	1,655	(4,149)	(2,891)	—
Earnings per share	1.17	1.19	1.05	1.05	1.24	—

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

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

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

Unit: NT$ thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					The financial information in the current year as of March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	2,979,529	2,718,471	2,936,959	2,895,813	3,273,028	—
Gross profit	711,784	588,299	659,073	628,866	810,082	—
Operating profit	163,492	165,856	197,102	210,718	283,128	—
Non-operating revenues and expenses	229,355	249,552	158,363	135,873	149,479	—
Net profit before taxation	392,847	415,408	355,465	346,591	432,607	—
Continuing operations Net income	347,723	353,696	313,209	310,739	369,870	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	347,723	353,696	313,209	310,739	369,870	—
Other comprehensive income for the period (post-tax profit or loss)	194,321	(191,747)	(123,316)	(22,803)	(61,265)	—
Current period other comprehensive income (Gross)	542,044	161,949	189,893	287,936	308,605	—
Net income attributable to owners of the parent company	347,723	353,696	313,209	310,739	369,870	—
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	542,044	161,949	189,893	287,936	308,605	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per share	1.17	1.19	1.05	1.05	1.24	—

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

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

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

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

Year	Name of auditor	Audit opinions
2014	Chang Shu-Chiung; Weng Shih-Jung	Modified unqualified opinion
2015	Chang Shu-Chiung; Weng Shih-Jung	Modified unqualified opinion
2016	Lin Chun-Yao; Chang Shu-Chiung	Unqualified opinion
2017	Lin Chun-Yao; Chang Shu-Chiung	Unqualified opinion
2018	Lin Chun-Yao; Chang Shu-Chiung	Unqualified opinion

II. Financial analysis for the latest 5 years:

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

Items of analysis	Year (Note 1)	Financial analysis for the latest 5 years					Year-to-date March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio	46.81	44.62	44.78	45.47	47.05	-
	Ratio of long-term capital to property, plant and equipment	178.02	179.14	180.88	189.00	198.44	-
Solvency (%)	Current ratio	165.30	181.59	178.10	179.12	180.47	-
	Liquid ratio	107.12	113.85	109.50	111.54	103.43	-
	Interest coverage ratio	10.66	12.69	11.75	11.22	12.96	-
Operating ability	Turnover rate of accounts receivable (times)	3.12	3.31	3.22	3.21	3.92	-
	Number of days in average cashing.	116.99	110.27	113.35	113.70	93.11	-
	Rate of stock turnover (times)	2.4	2.58	2.62	2.58	2.46	-
	Rate of payable turnover (times)	6.91	7.22	6.75	6.42	5.93	-
	Average number of days in sales.	152.08	141.47	139.31	141.47	148.37	-
	Rate of real estate, plant buildings and equipment turnover (times)	1.23	1.32	1.39	1.54	1.88	-
	Rate of turnover rate for total assets (times)	0.51	0.57	0.58	0.61	0.72	-
Profitability	Return on assets (%)	3.63	3.88	3.48	3.32	3.77	-
	Return on equity (%)	6.63	6.56	5.75	5.52	6.49	-
	Percentage of net profit before tax to the paid-in capital (%)	14.52	15.11	13.00	12.28	15.11	-
	Net profit rate (%)	6.62	6.40	5.46	4.91	4.84	-
	Earnings per share ($)	1.17	1.19	1.05	1.05	1.24	-
Cash flow	Cash flow ratio (%)	12.42	24.42	8.00	17.53	5.33	-
	Cash flow adequacy ratio (%)	42.03	52.95	50.49	62.12	59.86	-
	Cash reinvestment ratio (%)	1.80	3.82	(0.10)	2.67	(0.50)	-
Leverage	Business operation leverage	19.00	22.88	20.18	22.52	22.53	-
	Financial leverage	1.19	1.19	1.14	1.15	1.13	-

Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)

1. The increase in the ratio of receivables, real estate plant equipment turnover (times) and pre-tax net profit to paid-up capital was due to an increase in orders and an increase in the efficiency of machinery and equipment.
2. The decrease in the cash flow and cash flow reinvestment ratio was due to the increase in inventories and accounts receivable from operating activities.

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

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

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

Items of analysis \ Year (Note 1)		Financial analysis for the latest 5 years					Year-to-date March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio	40.76	38.35	38.13	37.30	38.94	-
	Ratio of long-term capital to property, plant and equipment	207.52	205.28	207.93	216.16	226.04	-
Solvency (%)	Current ratio	149.89	162.91	162.89	174.26	184.80	-
	Liquid ratio	105.13	107.78	108.76	114.16	114.76	-
	Interest coverage ratio	11.24	12.68	11.40	11.41	13.35	-
Operating ability	Turnover rate of accounts receivable (times)	2.10	2.21	2.40	2.22	2.28	-
	Number of days in average cashing.	173.81	165.16	152.08	164.41	160.08	-
	Rate of stock turnover (times)	2.90	2.8	3.07	2.90	2.58	-
	Rate of payable turnover (times)	8.1	8.52	9.50	9.15	8.41	-
	Average number of days in sales.	125.86	130.36	118.89	125.86	141.47	-
	Rate of real estate, plant buildings and equipment turnover (times)	0.82	0.75	0.83	0.84	0.96	-
	Rate of turnover rate for total assets (times)	0.32	0.31	0.33	0.33	0.35	-
Profitability	Return on assets (%)	4.19	4.25	3.87	3.83	4.38	-
	Return on equity (%)	6.61	6.49	5.75	5.64	6.59	-
	Percentage of net profit before tax to the paid-in capital (%)	13.18	13.94	11.93	11.63	14.51	-
	Net profit rate (%)	11.67	13.01	10.66	10.73	11.30	-
	Earnings per share ($)	1.17	1.19	1.05	1.05	1.24	-
Cash flow	Cash flow ratio (%)	21.34	27.41	14.23	20.04	13.82	-
	Cash flow adequacy ratio (%)	54.43	64.55	59.47	65.88	70.25	-
	Cash reinvestment ratio (%)	2.26	1.91	0.03	0.85	0.11	-
Leverage	Business operation leverage	18.22	16.39	14.90	13.74	11.56	-
	Financial leverage	1.31	1.27	1.21	1.19	1.14	-

Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)

1. The rise in pre-tax net profit to the paid-in capitalization ratio stems from an increase in the operating income.
2. Rise in cash flow, drop of cash flow reinvestment because of decrease of inflow of cash in business operation activities

Note 1: The financial data as of 2014 ~ 2018 having been duly testified and audited by the Certified Public Accountants.

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

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

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

Calculation formulas:

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

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

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

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

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

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

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

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

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

Note 7: Where the Company’s share certificates are without fact amount or are in face amount other than NT$10 per share, the aforementioned ratio to the paid-in capital shall be calculated based on the ratio of the owner's equity ratio attributed to the parent company.

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

China Chemical & Pharmaceutical Co., Ltd.
Audit Committees' Review Report

The management board compiling and submitting company 2018 operating report, financial statements (including the individual and combined financial statements) and earnings distribution proposal and the like. The foresaid operating report, financial statements (including the individual and combined financial statements) and earnings distribution proposal have been audited by the audit committee to reckon that it does not contain any discrepancies, in which the financial statements (including the individual and combined financial statements) have been audited by PwC Taiwan CPAs Lin Chun-Yao, Chang Shu-Chiung, complete with an audit report issued. Please kindly review the reports above, in compliance with stipulations set forth under the Securities Transaction Law article 14-4 and the Corporate Law article 219.

Best regards

Shareholders' regular meeting of China Chemical & Pharmaceutical Co., Ltd. 2019

Audit Committee, Convener: Chen, Hung-Shou

March 26, 2019

IV. Latest financial statements

Auditor’s Report

(2019) Cai-Shen-Bao-Zi No. 18004225

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 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 “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of China Chemical & Pharmaceutical Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of the Group and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of my audit findings and the audit reports compiled by other certified public accountants, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of the Group in 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- estimation of sales return

Description of the matter

Regarding the accounting policy for refund liability-estimation of sales return, please refer to Note 4 (25) in the consolidated financial statements; the accounting of estimation and uncertainty of refund liability- estimation of sales return, please refer to Note 5 (2) in the consolidated financial statements; the explanation of the accounting title for refund liability-estimation of sales return, please refer to Note 6 (18) in the consolidated financial statements.

The refund liability-estimation of sales return which is recognized by SINOCHEM Group is according to the basis of the product sales and historical experience. Since the estimation basis for refund liability-estimation of sales return is historical experience, the uncertainty of the relevant estimation is higher, therefore, it is listed as one of the key audit matters.

Audit response

The major audit process for refund liability-estimation of sales return which has executed by the account is as follows:

1. According to the understanding of the operations and industrial nature of the group as well as the refund experience to evaluate the refund liability- reasonability of the policy for estimated of sales return.
2. Sampling test of refund liability- the accuracy of the calculation for estimated Sales returns amount and expected returned ratio.
3. After the verification, write off the amount and receipt, examine the relevant supporting documents and evaluate if the returned period is appropriate.

Evaluation on inventory

Description of the matter

Regarding the accounting policy for the inventory validation, please refer to Note 4 (12) in the consolidated financial statements; the accounting of estimation and uncertainty of refund liability - estimation of sales return, please refer to Note 5 (2) in the consolidated financial statements; the explanation of the accounting title for refund liability-estimation of sales return, please refer to Note 6 (3) in the consolidated financial statements.

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

Audit response

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

1. Evaluating the accounting policy of allowances for losses of inventory impairment based on the understanding of the Company's operations and the nature of its industry.

2. To confirm if the price used for net realizable value corresponds to the company policy, and if the calculation of net realizable value for the individual inventory part number is correct with a sampling test.
3. Obtaining details of outdated inventories identified by the management, reviewing relevant information, and verifying the accounting records.

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

The 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, 2017 and 2016, 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 NTD644,013 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

SINOCHEM Group has drafted individual financial statements for 2018 and 2017, and the accountant made unmodified opinions on other matters - mentioned the audit report of other accountants is included, available for reference.

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

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

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

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

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

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

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

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

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

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

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group of 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 Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Assets	Additional notes	December 31, 2018			December 31, 2017		
				Amount	%		Amount	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$	594,627	5	$	763,684	7
1147	Liability instrument investments for which no active market exists-current			-	-		3,000	-
1150	Notes receivable-net	6 (2)		413,317	4		421,245	4
1160	Notes Receivable-Related Parties-net	7		131,447	1		158,535	2
1170	Notes accounts, net	6 (2)		1,523,865	14		1,311,771	13
1180	Account receivables-Related Parties- net	7		56,725	1		47,264	-
1200	Other receivables			32,463	-		31,766	-
1210	Other receivables - related parties	7		183,939	2		176,154	2
1220	Current income tax asset			1,141	-		-	-
130X	Inventory	6(3)		2,135,081	20		1,698,611	17
1476	Other financial assets- current	8		28,632	-		27,916	-
1479	Other current assets- Other			74,538	1		83,486	1
11XX	**Total current assets**			5,175,775	48		4,723,432	46
	Non-Current assets							
1517	The financial assets measured for the fair values through other comprehensive income-non-current	6 (4)		275,623	3		-	-
1523	Available-for-sale financial assets - non-current			-	-		282,836	3
1543	Financial assets measured at cost-non-current			-	-		30,710	-
1550	Investment under the equity method	6 (5) and 7		912,366	8		815,036	8
1600	Property, plant, and equipment	6(6) and 8		3,948,268	37		4,042,123	39
1780	Intangible assets			31,899	-		32,369	-
1840	Deferred income tax assets	6 (23)		190,871	2		150,288	2
1900	Other non-current assets	6(7) and 9		231,500	2		199,769	2
15XX	**Total of Non-Current Assets**			5,590,527	52		5,553,131	54
1XXX	**Total assets**		$	10,766,302	100	$	10,276,563	100

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (8)	$ 1,021,001	10	$ 1,080,428	10
2110	Short-term notes payable	6 (9)	109,977	1	92,671	1
2130	Contractual liability- liquidity	6 (18)	54,390	1	-	-
2150	Payable notes		143,158	1	127,891	1
2170	Accounts payable	7	882,390	8	708,721	7
2200	Other payables	6 (10)	515,268	5	444,592	4
2230	Current Tax Liability		74,511	1	47,069	-
2250	Liability reserve-Current	6 (11)	-	-	64,235	1
2365	Refund liability – liquidity	6 (18)	47,585	-	-	-
2399	Other current liabilities- other		19,630	-	71,430	1
21XX	**Total current liabilities**		2,867,910	27	2,637,037	25
	Non-current liabilities					
2540	Long-term borrowings	6 (12)	1,828,000	17	1,679,000	16
2570	Deferred tax liabilities	6 (23)	127,993	1	114,957	1
2600	Other non-current liabilities	6 (13)	241,242	2	241,874	3
25XX	**Total of non-current liabilities**		2,197,235	20	2,035,831	20
2XXX	**Total liabilities**		5,065,145	47	4,672,868	45
	Equity of the parent company					
	Capital stock	6 (14)				
3110	Common stock capital		2,980,811	28	2,980,811	29
	Capital surplus	6 (15)				
3200	Capital surplus		644,859	6	644,659	6
	Retained earnings	6 (16)				
3310	Legal reserve		459,993	4	428,920	4
3320	Special reserve		188,958	2	188,958	2
3350	Undistributed earnings		1,451,784	14	1,319,885	13
	Other equity	6 (17)				
3400	Other equity		(27,793)	(1)	27,964	-
3500	Treasury stock		(28,054)	-	(28,054)	-
31XX	**Equity attributable to owners of the parent Company**		5,670,558	53	5,563,143	54
36XX	**Non-controlling interest**		30,599	-	40,552	1
3XXX	**Total equity**		5,701,157	53	5,603,695	55
	Significant contingent liabilities and unrecognized contractual commitments	6(6), 7 and 9				
	Significant subsequent events	6(16) and 11				
3X2X	**Total Liabilities and Equity**		$ 10,766,302	100	$ 10,276,563	100

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Income Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(18) and 7	$ 7,580,236	100	$ 6,244,807	100
5000	**Operating cost**	6(3)(21) and 7	(4,715,066)	(62)	(4,322,210)	(69)
5950	**Operating gross profit**		2,865,170	38	1,922,597	31
	Operating expenses	6 (21)				
6100	Marketing 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 impairment loss	12 (2)	(21,977)	-	-	-
6000	**Total operating expenses**		(2,528,728)	(34)	(1,645,296)	(26)
6900	**Operating profit**		336,442	4	277,301	5
	Non-operating revenues and expenses					
7010	Other income	6(19) and 7	51,604	1	45,975	1
7020	Other profits and losses	6 (20)	5,290	-	(767)	-
7050	Financial costs	6 (22)	(37,651)	-	(35,819)	(1)
7060	Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	94,803	1	79,373	1
7000	**Total non-operating revenues and expenses**		114,046	2	88,762	1
7900	**Net profit before taxation**		450,488	6	366,063	6
7950	Income tax expenses	6 (23)	(83,541)	(1)	(59,569)	(1)
8200	**Net income**		$ 366,947	5	$ 306,494	5

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Income Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive profit or loss (net)					
	The items that are not re-classified as profit or loss					
8311	Reevaluation of determined benefit plan	6 (13)	($ 29,622)	-	($ 83)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (4) (17)	(35,642)	(1)	-	-
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	6 (17)	3,647	-	2,842	-
8349	Incomes tax related to titles not subject to reclassification	6 (23)	8,549	-	14	-
8310	**Total amount of items not reclassified to profit or income**		(53,068)	(1)	2,773	-
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences from the translation of financial statements of foreign operations	6 (17)	(10,917)	-	(67,858)	(1)
8362	Unrealized valuation gains and losses of available-for-sale financial assets	6 (17)	-	-	30,631	1
8370	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.	6 (17)	(99)	-	211	-
8399	Income tax related to items possibly be reclassified	6 (17) (23)	2,851	-	11,536	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(8,165)	-	(25,480)	-
8300	**Other comprehensive profit or loss (net)**		($ 61,233)	(1)	($ 22,707)	-
8500	**Current period other comprehensive income (Gross)**		$ 305,714	4	$ 283,787	5
	Net income (loss) attributable to:					
8610	Owners of parent		$ 369,870	5	$ 310,739	5
8620	Non-controlling interest		($ 2,923)	-	($ 4,245)	-
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 308,605	4	$ 287,936	5
8720	Non-controlling interest		($ 2,891)	-	($ 4,149)	-
	Earnings per share	6 (24)				
9750	**Basic and diluted earnings per share**		$ 1.24		$ 1.05	

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Chairman: Wang, Hsun-Sheng Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, I-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

		Equity of the parent company													
			Capital surplus			Retained earnings			Other equity						
	Additional notes	Common stock capital	Issuance premium	Treasury stock trade	Changes in the ownership equity on a subsidiary	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Unrealized gain or loss on available-for-sale financial assets	Treasury stock	Total	Non-controlling interest	Total equity
2017															
Balance as of January 1, 2017		$ 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
The consolidated net income of current period		-	-	-	-	-	-	310,739	-	-	-	-	310,739	(4,245)	306,494
Current period other comprehensive income		-	-	-	-	-	-	2,677	(56,601)	-	31,121	-	(22,803)	96	(22,707)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	313,416	(56,601)	-	31,121	-	287,936	(4,149)	283,787
The 2016 appropriation and distribution of earnings	6 (16)														
Legal reserve		-	-	-	-	31,321	-	(31,321)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	355	-	-	-	-	-	-	-	-	355	-	355
Changes in the ownership equity on a subsidiary		-	-	-	1,308	-	-	-	-	-	-	-	1,308	-	1,308
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(1,231)	(1,231)
Balance as of 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
2018															
Balance as of January 1, 2018		$ 2,980,811	$ 578,416	$ 64,935	$ 1,308	$ 428,920	$ 188,958	$ 1,319,885	($ 57,143)	$ -	$ 85,107	($ 28,054)	$ 5,563,143	$ 40,552	$ 5,603,695
Influence value of modified retrospective approach		-	-	-	-	-	-	(23,173)	-	85,739	(85,107)	-	(22,541)	-	(22,541)
Balance on January, 1 after adjustment		2,980,811	578,416	64,935	1,308	428,920	188,958	1,296,712	(57,143)	85,739	-	(28,054)	5,540,602	40,552	5,581,154
Net income		-	-	-	-	-	-	369,870	-	-	-	-	369,870	(2,923)	366,947
Current period other comprehensive income		-	-	-	-	-	-	(19,614)	(8,165)	(33,486)	-	-	(61,265)	32	(61,233)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	350,256	(8,165)	(33,486)	-	-	308,605	(2,891)	305,714
The 2017 appropriation and distribution of earnings	6 (16)														
Legal reserve		-	-	-	-	31,073	-	(31,073)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	356	-	-	-	-	-	-	-	-	356	-	356
Changes in the ownership equity on a subsidiary		-	-	-	(156)	-	-	-	-	-	-	-	(156)	-	(156)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(7,062)	(7,062)
Equity instrument at fair value through other comprehensive income statement	6 (4)	-	-	-	-	-	-	14,738	-	(14,738)	-	-	-	-	-
Balance at 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

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: Wang, Hsun-Sheng   Manager: Wang, Hsun-Sheng   Accounting Supervisor: Huang, I-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from operating activities			
Current year net profit before taxation		$ 450,488	$ 366,063
Adjustments			
Profits and loss			
Depreciation expenses	6(6)(21)	246,283	247,713
Amortization expenses	6 (21)	9,604	6,859
Anticipated credit impairment (bad debts)	12 (2)	21,977	1,678
Increase of allowance for sales return and allowance		(11,218)	11,122
Interest expenses	6 (22)	37,651	35,819
Interest revenue	6 (19)	(28,368)	(21,408)
Dividend income	6(4)(19)	(10,400)	(10,390)
Disposal of real property, plant and facility profit as well as the investment property profit.	6 (20)	(870)	(921)
Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	(94,803)	(79,373)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Bills receivable (including related party and non-related party)		35,016	(15,831)
Accounts receivable (including related party and non-related party)		(256,609)	(177,258)
Other account receivable- (including related party and non-related party)		2,919	6,001
Inventory		(447,307)	(104,943)
Other current assets- Other		8,513	(22,551)
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		(219)	-
Payable notes		15,267	47,762
Accounts payable		164,248	59,521
Other payables		67,592	87,558
Liability reserve-Current		(29,000)	(3,880)
Refund liability - liquidity		15,060	-
Other current liabilities		99	8,236
Other non-current liabilities		(24,667)	(32,863)
Cash inflow from operating activities		171,256	408,914
Interest received		27,433	20,827
Interest payment		(38,232)	(36,283)
Income tax payment		(69,697)	(20,753)
Dividends received		62,166	89,600
Net cash inflow from operating activities		152,926	462,305

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from investing activities			
Decrease of the financing amount receivable		$ -	$ 2,090
Decrease in liability instrument investments for which no active market exists		-	9,000
Decrease in financial assets based on cost after amortization		3,000	-
Increase of pledged time deposits (listed other financial assets-liquidity)		(716)	(11,444)
Acquisition of financial assets at fair value through other comprehensive profit or loss		(24,554)	-
Value of disposal of financial assets measured at FVTOCI	6 (4)	27,466	-
Purchase of property, plant, and equipment	6 (25)	(207,713)	(134,371)
Proceeds from disposal of property, plant and equipment		1,741	2,915
Purchase of intangible assets		(9,229)	(27,293)
Decrease (increase) in deposits paid		6,283	(18,751)
Acquisition of investment under the equity method	6 (5) and 7	(37,593)	-
Decrease (increase) of other non-current assets		7,016	(8,762)
Loss of the influence value for control of the subsidiary		(7,458)	-
Net cash outflow from investing activities		(241,757)	(186,616)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (26)	(59,427)	19,808
Increase (decrease) in short-term payable notes	6 (26)	17,306	(23,300)
Current borrowing amount of long-term loan	6 (26)	847,000	555,000
Current repaying amount of long-term loan	6 (26)	(698,000)	(516,000)
Decrease (increase) in deposits received		(1,277)	16,662
Cash dividend released	6 (16)	(178,849)	(178,849)
Change in non-controlling interest		2,070	(2,064)
Net cash outflow from financing activities		(71,177)	(128,743)
Impact of changes in exchange rate on cash and cash equivalents		(9,049)	(12,008)
Increase (decrease) in cash and cash equivalents for the current period		(169,057)	134,938
Balance of cash and cash equivalents, beginning of period	6 (1)	763,684	628,746
Balance of cash and cash equivalent, end of period	6 (1)	$ 594,627	$ 763,684

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Chairman: Wang, Hsun-Sheng Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, I-Chun

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries
Consolidated Notes to financial statements
2018 and 2017

Unit: NTD thousand
(Except where otherwise stated)

I. Organization and operations

(1) China Chemical and Pharmaceutical Co., Ltd. (hereinafter referred to as "The Company") was established in Republic of China, along with The Company and its subsidiary (hereinafter referred to as "The Group") with the major business in manufacturing and selling pharmaceutical products and health products as well as import business of relating medical appliances; commission construction company to build commercial building for rent and sale business.

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

II. Financial reporting date and procedures

These consolidated financial statements were authorized by the Board of Directors on March 11, 2019.

III. Application of new and revised standards and interpretation

(1) Effect of the adoption of new issuances of or amendments to International Financial ReportingStandards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The new publication, amendments, and revision of the 2018 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment"	January 1, 2018
Amendments to International Financial Reporting Standards No. 4 "The application of IFRS No. 9 'Financial Instruments' to IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial instruments"	January 1, 2018
Amendment to IFRS No. 15 "Income of Customer Contract"	January 1, 2018
Amendments to IFRS 15 "IFRS No. 15 "Income of Customer Contract"	January 1, 2018
IAS 7 Amendment "Disclosure Initiative"	January 1, 2017
IAS 12 Amendment "Recognition of unrealized losses of deferred income tax assets"	January 1, 2017
Amendments to IAS 40 "Investment real estate conversion"	January 1, 2018

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
IFRIC No. 22 “Foreign currency transactions and Advance consideration”	January 1, 2018
Improvements to 2014-2016 IFRS No. 1 “Adopting IFRS for the first time”	January 1, 2018
Improvements to 2014-2016 IFRS No. 12 “Disclosure of interests in other entities”	January 1, 2017
Improvements to 2014-2016 IAS No. 28 “Investment Affiliates and Joint Ventures”	January 1, 2018

Besides what stated below, The Group explained the financial status and performance doesn’t have significant influence upon evaluation of the above stated standards.

1. IFRS 9 “Financial instruments”
   (1) Financial asset and liability instruments are judged in accordance with the business model of the enterprise and the characteristics of the contract cash flow, which can be classified into the categories of financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive profits and losses, and financial assets measured at amortized cost. Financial assets and equity instruments are classified into the categories of financial assets measured at fair value through profit and loss, unless the enterprise makes an irrevocable option to have the fair value of the equity instrument that is for non-trading purposes recognized in the “other comprehensive profits and losses.”
   (2) The impairment assessment of financial asset and liability instruments should be implemented with the “expected credit loss model” and assess whether the credit risk of such instruments is increasing significantly on each balance sheet date. Based on the expected credit loss for 12 months or the expected credit loss for the duration (the interest income before impairment occurred is estimated according to the total book value of the assets); or whether there has been an impairment loss occurred, the interest income after the impairment occurred should be estimated according to the book value net of the allowance for bad debt. The allowance for loss of the accounts receivable (excluding significant financial components) shall be measured according to the expected credit loss for the duration of the period.
   (3) Regarding the International Financial Reporting Standard 9 (hereinafter referred to as “IFRS 9”), The Group does not restate prior period financial statements (hereinafter referred to as “modified retrospective approach”). Please refer to the description on (4)-2, Note 12 for the major influence on January 1, 2018.
2. Amendment to IFRS No. 15 “Income of Customer Contract” and related amendments
   (1) To replace the IAS 11- “Construction Contracts” and IAS 18- “Revenue” as well as the standard interpretations issued by IAS, with the IFRS 15-“Revenue from Contracts with Customers.” According to the standards, the revenue should be recognized by the time the customer has the control of a good or service. When the customer has a right to direct the use of the asset and obtains almost all remaining benefits of the asset, that means the customer owns the control of a good or service.
   The core principle of the standard is “The enterprise should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The enterprise should use the following five steps as the core

principle to recognize revenue which is to decide the timing and amount for revenue recognition:

Step 1: Identify the contract with a customer.

Step 2: Identifying the performance obligations in the contracts.

Step 3: Determine the transaction price.

Step 4: Amortize transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligation is satisfied by the enterprise.

Besides, the standards also include the comprehensive disclosure guidelines for the enterprise to apply when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

(2) The Group adopted the expedient procedure in transition to IFRS 15 (hereinafter referred to as “modified retrospective approach”) that only the unfinished contracts on January 1, 2018 was retrospective with IFRS 15, the significant influence for adoption of the expedient procedure on January 1, 2018 is summed up as follows.

The presentation of the relevant assets and liability in the contracts with customers:

Due to the applicability of the relevant regulations of IRFS 15, The Group modified part of accounting subjects in the balance sheet with presentation as follows:

A. The estimation of sales return recognized as refund liability according to the regulations of IFRS 15, which was represented as provision- liquidity in the past accounting period, with the balance amount of NT$35,235 on January 1, 2018, is re-classified as refund liability.

B. According to the regulation of IFRS 15, to recognize the contractual liability relating to the product sales contract, which is represented as unearned receipts on the balance sheet reported in the past accounting period (listed as other liquidity liabilities), is re-classified as contractual liability with balance amount of NT$54,609 on January 1, 2018.

3. IAS 7 Amendment “Disclosure Initiative”

This modification asks the enterprise to increase the disclosure about (from) the change in liability of financial activities, including the change from cash or non-cash.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The new publication, amendments, and revision of the 2019 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
IFRS 23 "Handling of uncertain income tax"	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

Except for the following statements, the Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group's financial position and financial performance:

IFRS 16 "Leases"

The International Financial Reporting Standards No. 16 "Leases" supersedes IAS 17 "Leases" and the related explanations and explanative announcements. IFRS 16 "Leases" requires the lessee to recognize the right-to-use assets and lease liabilities (except for the lease period less than 12 months or low value assets lease); lessor accounting treatment is still the same, according to the two operating lease and finance leasing types of treatment with only the relevant disclosure requested.

The Group proceeds with the lease contract with the lessee based on IFRS 16 except for restating prior period financial statements (hereinafter referred to as "modified retrospective approach"), which was to increase the right-of-use asset as well as the lease liability respectively at NT$72,137 on January 1, 2019.

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

(3) IFRS issued by IASB but not yet endorsed by the FSC

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Modification of IAS 1 and IAS 8- "Disclosure initiative-Definition of materiality"	January 1, 2020
Amendment to IFRS 3 "Definition of business"	January 1, 2020
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2021

The Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group's financial position and financial performance.

IV. Summary of significant accounting policies

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

(I) Compliance Statement

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

(II) Basis of preparation

1. Except for the following items, these statements have been prepared under the historical cost convention:
   (1) Financial assets at fair value through other comprehensive income / available-for-sale financial assets.
   (2) The defined benefit obligation are recognized according to the pension fund assets deducting the present value of the defined benefit obligation.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.
3. The Group firstly adopted IFRS 9 and IFRS 15 on January 1, 2018 which was to change the recognition of the exchange difference to retained earnings and other benefits on January 1, 2018 with modified retrospective approach, and not to re-state prior period financial statements and notes in the year of 2017. The draft of explanation for significant accounting policies and major accounting titles in 2017 is based on International Accounting Standards 39 (hereinafter referred to as "IAS 39"), International Accounting Standards 18 (hereinafter referred to as "IAS 18") and the standard interpretations issued by IAS. Please refer to the explanation in (4) and (5), Note 12.

(III) Basis of consolidation

1. The basis of preparation for consolidated financial statements
   (1) The Group includes all subsidiaries to draft the individual of the consolidated financial statements. The subsidiaries of the Group refers to the business entities (including the structured business entity) controlled by the Group. When the Group is exposed to the variable return of the subsidiary or is entitled to such variable return; also, when the Group can influence such variable return through the power over the subsidiary, the Group controls the subsidiary. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.
   (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.
   (3) Profit or loss and the components of other comprehensive income are attributed to owners of the parent and non-controlling interests; the total amount of comprehensive income is also attributed to owners of the parent and non-controlling interests even if non-controlling interest derive a loss as result.
   (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
   (5) When The Group losses the control of the subsidiaries, the remaining investment is evaluated based on the fair value, and considered as the fair value of financial assets recognized initially or the capital of the associate or joint venture recognized initially, the difference amount between the fair value and book amount is recognized as profit or benefit of current period. All amounts previously recognized in other comprehensive

income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the financial statements:

			Percentage of shareholdings		
Investor	Name of the subsidiary	Nature of the operation	December 31, 2018	December 31, 2017	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Wholesale of medicine and medical equipment	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Medicine, wholesale of medicine equipment and home care service	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co.,Ltd.	Professional investment company	100.00	100.00	
China Chemical & Pharmaceutical Co., Ltd.	Tairung Development Co., Ltd.	Manufacture and sales of glass, plastics made containers	71.64	71.64	
China Chemical & Pharmaceutical Co., Ltd.	CCPC Health Biological Technology Co., Ltd.	Wholesale of biotechnology services and health products.	46.00	60.00	Note 1
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Manufacturer of cleaning products	80.00	77.33	
Chunghwa Senior Care Co., Ltd.	Warm-Up Social Enterprise Co., Ltd.	Food wholesaler	38.25	-	Note 2
Chunghwa Holding Co.,Ltd.	Timpco International Co., Ltd.	Professional investment company	100.00	100.00	
Timpco International Co., Ltd.	Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	100.00	100.00	
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	100.00	100.00	
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	100.00	100.00	

Note 1: Proceed with capital reduction for cover accumulated deficits and capital increase in October 2018, the original shareholding ratio is 60%.
Since The Group doesn’t subscribe based on the shareholding ratio, therefore the shareholding ratio drops to 46.00% and loses the control power, therefore, only the profit and loss with the control power is included.

Note 2: Means the original shareholding ratio was 51% when established in March 2018, due to the capital increase of the subsidiary in May of the same year, The Group did not subscribe according to the shareholding ration, which caused the shareholding ratio dropped to 38.25% and lost the control power, therefore, only the profit and loss with the control power is included.

3. Subsidiary company not included in the consolidated financial statements are as follows: Not applicable.
4. Adjustments on subsidiary companies with different accounting periods: Not applicable.
5. Significant limitations: Not applicable.
6. Subsidiaries of the Group with significant non-controlling interests: Not applicable.

(IV) <u>Foreign-currency translations</u>

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
   (4) All exchange gains and losses are reported in the "Other profits and losses" account of the comprehensive income statements.
2. Translation of the financial statements of foreign operations
   (1) The operating results and financial position of all the Group's entities, affiliated enterprises and joint arrangements in the consolidated financial statements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
      A. Assets and liabilities presented in the balance sheet are translated at the closing exchange rates prevailing on the balance sheet date;
      B. Income and expenses presented in the Statement of Comprehensive Income are translated at the average exchange rates for the period; and
      C. All resulting exchange differences are recognized in other comprehensive income.
   (2) When a foreign operation for partial disposal or sale is an associate or joint arrangement, classifying the exchange difference of comprehensive income by portions as part of gain on sale or loss of the net income or loss for current period. Only when The Group even remains partial equity of previous associate or joint arrangement but loses the significant influence on a foreign operation of an associate or loses the joint control over a joint arrangement of a foreign operation, the disposal will be full benefit

of the foreign operation.

(3) When a foreign operation for partial disposal or sale is subsidiary, categorizing as the accumulated exchange difference of comprehensive income by portion for recognition which belongs to the non-controlling interests of that foreign operation. Only when The Group even remains partial equity of the previous subsidiary but loses the control of the subsidiary of the foreign operations, the disposal will be fully benefit the foreign operation.

(V) Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
(2) Held mainly for the purpose of trading.
(3) Assets that are expected to be realized within twelve months from the balance sheet date.
(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Group classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle.
(2) Held mainly for the purpose of trading.
(3) Expected to be repaid within 12 months of the balance sheet date
(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies liabilities that do not meet any of the above criteria as non-current liabilities.

(VI) Cash equivalents

Cash equivalents are investments that are for short-term investing with high liquidity. That investment can be exchanged to a fixed amount of money and the risk of value change is really low. The certificate of deposit corresponds to the previous definition and the purpose is to meet the acceptor for short-term cash of operation, classifying as cash equivalents.

(VII) Financial assets at fair value through other comprehensive profit or loss

Applicable in 2018

1. Means the initial recognition is an irrevocable decision, to recognize changes in fair value for equity instrument of not held for trading as other comprehensive income.

2. The Group adopts trade date accounting for financial assets at fair value through other comprehensive income which are in correspondence with trade practice.

3. On initial recognition, The Group recognized transaction costs plus the fair value for measurement, and subsequently measured with fair value:

If the change in fair value of equity instrument is recognized as other comprehensive income, while being derecognized, the previous accumulated profits or losses which were recognized in other comprehensive income cannot subsequently be re-classifying to profit and loss, that is to list under retained earnings. When the equity to obtain dividends is claimed, the economic benefits relating to the dividends may inflow, and if the amount of dividend can be measured reliably, The Group will recognize dividend in income.

(VIII) Accounts receivable and notes

1. Means according to the agreement, with the right to collect the equity consideration and bills in exchange for those goods or services on any other terms and conditions.
2. Due to the limited influence of discounting, The Group measures the initial invoice amount for any short-term accounts receivable and bills of unpaid interests.

(IX) Impairment of Financial Assets

Applicable in 2018

The Group measures allowance for loss according to expected credit loss amount for 12-month after considering all reasonable and provable information (including forward-looking one) for financial assets at amortized cost and accounts receivable with significant financing component on each balance sheet date; for credit risk significantly increases after the initial recognition, measures allowance for loss according to expected credit loss within duration; for accounts receivable without significant financing component, measures allowance for loss according to expected credit loss within duration.

(X) The de-recognition of financial assets

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

(XI) Operating lease (lessor)

Any incentives for lessee after deducting the leasehold income of operating lease, are recognized as net income or loss of current period according to the straight-line method for amortization during the lease term.

(XII) Inventory

The inventory is measured by the lower one between cost and net realizable value, the carry-over cost is calculated according to weighted average method. The costs of finished goods and work in process include material, direct labor, other direct costs and manufacturing cost relating to production (allocated based on normal capacity), however, the borrowing costs is excluded. The item by item method is adopted while comparing the lower one between cost and net realizable value, the net realizable value means the balance of estimated selling price deducts the estimated cost and relevant variable cost of sales.

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

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
3. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Group will have the equity change recognized as "additional paid-in capital"

proportionally to the shareholding ratio.

4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Group.
5. When the Group disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Group loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(XIV) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Property, plant and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant and equipment are significant, it is depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. Useful lives of assets are as follows:

Buildings and structures	20 years ~ 60 years
Machinery equipment	5 years ~ 15 years
Transport equipment	3 years ~ 6 years
Other equipment	1 years ~ 15 years

(XV) Intangible assets

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

(XVI) Losses in non-financial asset

The Group estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(XVII) Loans

The borrowing is measured by the amount which is recognized initially as the fair value deducts the transaction costs, and subsequently to measure the price after deducting transaction costs and any difference of redemption value with effective interest method based on the amortized cost during the borrowing term.

(XVIII) Account and note payables

1. Means the debt due to buy on credit for raw materials, goods or service and the bills payable resulted from operating or non-operating.
2. Due to the limited influence of discounting, the group measures the initial invoice amount for any short-term accounts payable and bills of unpaid interests.

(XIX) De-recognition of financial liabilities

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

(XX) Financial guarantee contract

For a financial guarantee contract, when a specific debtor is unable to repay the debt at maturity in accordance with the original or modified debt instrument terms, the Group must pay certain benefits to reimburse the contract holder for the loss incurred. Measured with the transaction cost adjusted by the fair value of the trade date for initial recognition, and subsequently to measure the higher one between the best estimation of expenditure needed to clean up the present obligation according to the date of balance sheet and the balance of the initial recognized amount deducts the accumulated amortization which has been recognized.

(XXI) Employee benefits

1. Short-term employee benefits
   Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.
2. Pension
   (1) Defined contribution plan
   The defined contribution plans are to recognize the pension fund to be contributed as the net periodic pension cost for current period according to the accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.
   (2) Defined benefit plan
   A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the

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

B. The revaluation amount of the defined benefit plan is recognized upon occurrence in the “Other comprehensive profit and loss” and included in the retained earnings.

C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Termination benefits

Resignation benefit refers to the benefit for the employee who is terminated from employment before the normal retirement date or who has decides to accept termination of employment in exchange for the benefit. The Group has resignation benefit recognized as expense when the invitation of resignation benefit can no longer be withdrawn or recognizing the related restructuring expense whichever is sooner. The benefit that is not expected to be liquidated within 12 months after the balance sheet date should be discounted.

4. Employee compensation and remuneration to directors and supervisors

Employee compensation and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees’ compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. For employee bonus with stocks, the basis to calculate the stock is the closing price of the day prior to the resolution of the board meeting.

(XXII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities of this company and subsidiary companies. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax liabilities caused by the goodwill originated from the initial recognition will not be recognized. If the deferred income tax originates from the initial recognition for assets or liabilities of transactions (excluding business combination), and the transactions do not affect the accounting profit or taxable profit at that time(tax loss), then not to recognize. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted

or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXIII) Treasury stock

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

(XXIV) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(XXV) Recognition of revenue

Applicable in 2018

1. Merchandising- retail
   A. The Group manufactures and possesses an agency for selling medical products and the sales revenue is recognized when the control of products has been transferred to the customer, which means the product has been delivered to the customer. The customer owns the discretionary power for the channel and price of the products and The Group doesn’t have any executory performance obligation that may affect the time for the customer to accept products. When the product is being delivered to the designated place, the risk of obsolescence and loss will be transferred to the customer, besides, when the customer accepts the product according to the sales contract, or any objective evidence which can prove all acceptance criteria have been met, the delivery of goods is firm.
   B. The Group provides right of return for part of products, adopts expected value approach according to the historical experience to estimate the relevant refund liability, subsequently to evaluate the effectiveness of re-evaluation and assumption on each balance sheet date, and update the estimated return amount.
   C. The accounts receivable is recognized when the goods are delivered to the customer, since by that time, The Company holds unconditional right for the contract price, the consideration can be charged to the customer as time goes by.
2. Labor revenue

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

(XXVI) Government grant

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

(XXVII) Corporate Merger

1. The Group adopts the acquisition approach for business combination. The combination consideration is calculated according to the transferred asset, liability occurred or assumed and the fair value of the equity instrument, it's the fair value of any asset or liability occurred for the transferred consideration or the consideration agreement. The cost relating to acquisition is recognized as expense when occurs. The identified asset and assumed liability obtained by the business combination is measured by the fair value of the acquisition date. Based on the individual acquisition of The Group, the composition of non-controlling interests is present ownership interest and the owner has the right to get the net asset of the enterprise by portion when liquidation occurs, the choice of being acquired by the fair value of the acquisition date or non-controlling interests can be measured by portion for the identified net asset; all other composition of the non-controlling interests will be measured by the fair value of the acquisition date.
2. Transfer of consideration, acquired and non-controlling interests as well as the total amount of the fair value which is in possess of the equity from the previous acquired, listed as goodwill on the acquisition date; for the identified asset and the fair value of assumed liability obtained, if exceeds the transfer of consideration, acquired and non-controlling interests as well as the total amount of the fair value, the difference amount is recognized as net profit or loss of the current period on the acquisition date.

(XXVIII) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such estimation and assumption contain risk of being significantly adjusted for the carrying amount of asset or liabilities in the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(I) Critical judgments concerning the application of accounting policies

None.

(II) Critical accounting estimates and assumptions

1. Refund liability - estimation of sales return

   The principle of the sales revenue means the recognition completed during the profit period. Relevant refund liability - the estimation of sales return means according to the historical experience and other known reason to estimate the return of goods may occur, listed deduction of the sales revenue at the current period when the goods are sold, and The Group examines the reasonability of the estimation regularly.

   Please find Note 6(18) for the refund liability-estimation of sales return which The Group recognized on December 31, 2018.

2. Inventory valuation

   Since inventory shall be measured on the basis of the lower the cost and net realizable value, the Group must determine the net realizable value of inventory of the Balance Sheet date with judgment or estimation. Due to the rapid changes in technology, the Group assesses the amount of inventory normal wear and tear, obsolescence, or poor marketability of the Balance Sheet date; also, has the inventory cost offset till it is equivalent to the net realizable value. This inventory evaluation is mainly based on the future demand for a specific period of time; therefore, a significant change is expected.

   Please find Note 6(3) for the book amount of the inventory of The Group on December 31, 2018.

VI. Summary of significant accounting titles

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 10,856	$ 9,666
Check deposit and demand deposit	575,232	745,283
Time deposits	8,000	8,000
Cash equivalents- banker's acceptance bill	539	735
	$ 594,627	$ 763,684

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

(II) Note receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 414,799	$ 421,524
Less: Allowance for losses	(1,482)	(279)
	$ 413,317	$ 421,245
Accounts receivable	$ 1,631,008	$ 1,399,817
Less: Allowance for sales and discount	(60,541)	(71,759)
Less: Allowance for losses	(46,602)	(16,287)
	$ 1,523,865	$ 1,311,771

1. The aging analysis of accounts receivable and bill receivable is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Within 30 days	$ 1,365,957	$ 414,799	$ 1,066,562	$ 421,524
31 to 90 days	203,366	-	281,829	-
91 to 180 days	41,122	-	21,059	-
Over 181 days	20,563	-	30,367	-
	$ 1,631,008	$ 414,799	$ 1,399,817	$ 421,524

The aforementioned aging analysis is based on the overdue days.

2. The exposure amounts of the maximum credit risk which can represent the accounts receivable and bill receivable of The Group without considering the possessed collateral or other credit enhancement condition on December 31, 2018 and 2017 are, respecitvely, NT$1,937,182 and NT$1,733,016.
3. The accounts receivable listed in the account of The Group does not possess any collateral.
4. Please find Note 12, (2) for the relevant explanation about credit risk.

(III) Inventory

	December 31, 2018		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 787,419	($ 3,356)	$ 784,063
Material	127,257	(1,276)	125,981
Work in process	352,744	(7,244)	345,500
Finished products	582,438	(8,656)	573,782
Merchandise inventory	335,875	(30,120)	305,755
	$ 2,185,733	($ 50,652)	$ 2,135,081

	December 31, 2017		
	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 502,787	($ 1,506)	$ 501,281
Material	102,403	(980)	101,423
Work in process	306,769	(5,440)	301,329
Finished products	576,425	(6,317)	570,108
Merchandise inventory	234,091	(9,621)	224,470
	$ 1,722,475	($ 23,864)	$ 1,698,611

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

	2018	2017
Cost of inventory sold	$ 4,664,496	$ 4,275,299
Labor service cost	18,893	16,288
Loss of price decline of inventory and obsolescence loss	31,677	27,530
Fixed manufacturing cost without being amortized	-	3,118
Others	-	(25)
	$ 4,715,066	$ 4,322,210

(IV) Financial assets at fair value through other comprehensive profit or loss

Item	December 31, 2018
Non-current items:	
Equity instruments	
Listed stocks	$ 193,276
Non-listed shares, emerging stocks	30,710
	223,986
Evaluation adjustment	51,637
	$ 275,623

1. The Group decides to classify the stock of strategic as investment financial assets at fair value through other comprehensive income and the fair value of that investment on December 31, 2018 is NT$275,623.
2. The fair value of sale of The Group in 2018 is NT$27,466 for stock investment and the accumulated gain on disposal is NT$14,738.
3. The details of financial assets at fair value through other comprehensive income which recognized in income and comprehensive income are as follows:

Item	2018
Equity measured at fair value through other comprehensive income	
Recognized in comprehensive income of changes in fair value.	($ 35,642)
The accumulated profits change to retained earnings due to de-recognition.	$ 14,738
Recognized as dividend in income in profit.	
The party still in possession at the end of this term.	$ 10,400

4. Please find the details in Note 12, (4) for the information in 2017.

(V) Investment under the equity method

Name of affiliated enterprises	December 31, 2018	December 31, 2017
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	$ 451,780	$ 406,871
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	411,882	408,165
PHERMPEP CO., LTD. (PHERMPEP)	15,963	-
Warm-Up Social Enterprise Co. Ltd. (Warm-up)	934	-
Shanghai Chiapeng Health Management Consulting Co., Ltd. (Shanghai Chiapeng)	31,807	-
	$ 912,366	$ 815,036

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

Company name	Major places of business	Ratio of Shareholding December 31, 2018	December 31, 2017	Nature of relationship	Measuring method
CCSB	Taiwan	22.35%	22.35%	Affiliate business	Equity method
SINO-JAPAN CHEMICAL., CO., LTD	Taiwan	21.99%	21.99%	Affiliate business	Equity method
PHERMPEP CO., LTD.	Taiwan	46.00%	60.00%	Affiliate business	Equity method
Warm-up	Taiwan	38.25%	-	Affiliate business	Equity method
Shanghai Chiapeng	China	30.00%	-	Affiliate business	Equity method

2. Financial information of the Group's major associates is summarized as follows:

Balance Sheet

	CCSB December 31, 2018	December 31, 2017
Current assets	$ 613,794	$ 1,027,116
Non-Current assets	2,607,624	2,420,809
Current liabilities	(425,690)	(808,308)
Non-current liabilities	(811,825)	(818,396)
Total net assets	$ 1,983,903	$ 1,821,221
Book value of the associate	$ 451,780	$ 406,871

	SINO-JAPAN CHEMICAL., CO., LTD December 31, 2018	December 31, 2017
Current assets	$ 1,862,950	$ 1,945,195
Non-Current assets	521,339	454,179
Current liabilities	(384,549)	(364,672)
Non-current liabilities	(162,406)	(178,276)
Total net assets	$ 1,837,334	$ 1,856,426
Book value of the associate	$ 411,882	$ 408,165

	Warm-up December 31, 2018	December 31, 2017
Current assets	$ 768	$ -
Non-Current assets	2,093	-
Current liabilities	(466)	-
Total net assets	$ 2,395	$ -
Book value of the associate	$ 934	$ -

	PHERMPEP CO., LTD. December 31, 2018		December 31, 2017	
Current assets	$	34,795	$	19,409
Non-Current assets		9,233		11,881
Current liabilities	(	6,392)	(	4,207)
Non-current liabilities		-		-
Total net assets	$	37,636	$	27,083
Book value of the associate	$	15,963	$	15,321

	Shanghai Chiapeng December 31, 2018		December 31, 2017	
Current assets	$	104,510	$	-
Non-Current assets		89		-
Current liabilities	(	449)		-
Total net assets	$	104,150	$	-
Book value of the associate	$	31,807	$	-

Comprehensive income statement

	CCSB 2018		2017	
Income	$	1,019,452	$	1,168,248
Current year profit of continuing business units	$	234,288	$	85,891
Other comprehensive income (post-tax profit or loss)	(	32,585)		2,943
Current period other comprehensive income (Gross)	$	201,703	$	88,834

	SINO-JAPAN CHEMICAL., CO., LTD 2018		2017	
Income	$	2,815,316	$	2,788,894
Current year profit of continuing business units	$	203,890	$	273,839
Other comprehensive income (post-tax profit or loss)		9,049		10,864
Current period other comprehensive income (Gross)	$	212,939	$	284,703

	Warm-up 2018		2017	
Income	$	3,343	$	-
Current year profit of continuing business units	($	2,009)	$	-
Other comprehensive income (post-tax profit or loss)		-		-
Current period other comprehensive income (Gross)	($	2,009)	$	-

	PHERMPEP CO., LTD. 2018	2017
Income	$ 20,756	$ 19,050
Current net losses from continuing operations	($ 9,442)	($ 11,136)
Other comprehensive income (post-tax profit or loss)	-	-
Current period other comprehensive income (Gross)	($ 9,442)	($ 11,136)

	Shanghai Chiapeng 2018	2017
Income	$ -	$ -
Current net losses from continuing operations	($ 1,344)	$ -
Other comprehensive income (post-tax profit or loss)	-	-
Current period other comprehensive income (Gross)	($ 1,344)	$ -

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

Name of affiliated enterprises	2018	2017
CCSB	$ 52,031	$ 19,165
SINO-JAPAN CHEMICAL., CO., LTD	44,827	60,208
PHERMPEP CO., LTD.	(1,241)	-
Warm-up	(411)	-
Shanghai Chiapeng	(403)	-
	$ 94,803	$ 79,373

4. Phermpep Co., Ltd. made cash capital increase with NT$20,000 in October 2018 and The Group made capital increase with NT$5,000. Since the capital increase did not follow the shareholding ratio, The Group has re-recognized the investment with equity method for the fair value of the day. The Group only includes the profit or loss during the period with control power in the consolidated statement, please find Note 4(3) for explanation.
5. The Group acquired 30% equity share of Shanghai Chiapeng with the price of NT$1,344 in September 2018 and increased the capital NT$31,249 by shareholding ratio in December of that year.
6. The significant associate of The Group-CCSB is public offering and its fair values of December 31, 2018 and 2017 are, respectively, NT$395,148 and NT$422,878.

(VI) Property, plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 107							
Cost	$ 970,870	$ 3,143,695	$ 1,125,041	$ 51,474	$ 54,628	$ 752,984	$ 6,098,692
Accumulated depreciation	-	(1,104,313)	(452,647)	(30,769)	-	(468,840)	(2,056,569)
	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123
2018							
January 1	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123
Additions	-	7,772	38,971	5,799	82,367	36,599	171,508
Transfer	-	11,014	17,798	-	(34,835)	6,023	-
Disposition	-	-	(3)	(800)		(68)	(871)
Disposition of subsidiaries	-	-	-	-	-	(7,703)	(7,703)
Reclassification	-	-	-	-	-	(5,323)	(5,323)
Depreciation expenses	-	(83,771)	(80,424)	(7,376)	-	(74,713)	(246,283)
Net exchange differences	-	(1,358)	(1,229)	(71)	(5)	(2,519)	(5,183)
December 31	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268
December 31, 2018							
Cost	$ 970,870	$ 3,160,321	$ 1,162,324	$ 51,430	$ 102,155	$ 761,898	$ 6,208,998
Accumulated depreciation	-	(1,187,282)	(514,817)	(33,173)	-	(525,458)	(2,260,730)
	$ 970,870	$ 1,973,039	$ 647,507	$ 18,257	$ 102,155	$ 236,440	$ 3,948,268

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 2017							
Cost	$ 970,870	$ 3,118,193	$ 1,107,183	$ 54,085	$ 39,843	$ 712,172	$ 6,002,346
Accumulated depreciation	-	(1,021,453)	(386,834)	(33,028)	-	(399,029)	(1,840,344)
	$ 970,870	$ 2,096,740	$ 720,349	$ 21,057	$ 39,843	$ 313,143	$ 4,162,002
2017							
January 1	$ 970,870	$ 2,096,740	$ 720,349	$ 21,057	$ 39,843	$ 313,143	$ 4,162,002
Additions	-	7,560	28,766	7,699	56,064	41,477	141,566
Transfer	-	22,417	10,082	-	(41,279)	8,780	-
Disposition	-	(4)	(209)	(267)	-	(1,514)	(1,994)
Depreciation expenses	-	(83,027)	(81,227)	(7,411)	-	(76,048)	(247,713)
Net exchange differences	-	(4,304)	(5,367)	(373)	-	(1,694)	(11,738)
December 31	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123
December 31, 2017							
Cost	$ 970,870	$ 3,143,695	$ 1,125,041	$ 51,474	$ 54,628	$ 752,984	$ 6,098,692
Accumulated depreciation	-	(1,104,313)	(452,647)	(30,769)	-	(468,840)	(2,056,569)
	$ 970,870	$ 2,039,382	$ 672,394	$ 20,705	$ 54,628	$ 284,144	$ 4,042,123

1. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.
2. The Company rented the land of No. 23, Xiangyang Rd., Taipei City from Jen-Chi Relief Institution, the lease term is from January 1, 2015 to December 31, 2019 with the rental of NT$259 paid by the month. If the contract is ending and won't be renewed, the buildings on the land for rent should be demolished and returned on any terms and conditions. Until December 31, 2018, the balance amount that hasn't been reduced is NT$34,429.

(VII) Other non-current assets

	December 31, 2018	December 31, 2017
Prepayments for equipment	$ 51,541	$ 26,925
Long-term pre-paid rent - land access	19,401	20,047
Refundable deposits	32,512	38,795
Long-term pre-paid payment	101,115	101,115
Other non-current assets- Other	57,678	43,634
Less: accumulated impairment	(30,747)	(30,747)
	$ 231,500	$ 199,769

1. The government agency of Suzhou City committed Suzhou Chung-Hwa that they will provide the industrial development guide fund within 6 months after the national land use rights for the new plant is obtained and assume the basic piping engineering fee for the new plant. Since year (2014) of moving the plant and commissioning, the actual company tax to national advanced/ new technology industrial developing area in Suzhou for financial contribution as full-amount reward for the first and second year, then cut the reward in half for the third to five years, the total amount of the subsidy for the first three years can't exceed NT$268,873 (RMB$55,863,0000). Suzhou Chung-Hwa has gained the industrial development guide fund of NT$110,460 (RMB$22,950,000) as the deduction of acquisition cost for the land use right (account listed as "long-term pre-paid rent) and recognized the subsidy as profit or loss with the deduction in rent within the useful life of the land use rights.
2. Please find Note 9(2) for the explanation about the long-term prepaid payment and the accumulated impairment loss.

(VIII) Shot-term borrowings

	December 31, 2018	December 31, 2017
Financial institution loan		
Credit loan	$ 570,000	$ 575,000
Secured loans	330,000	383,000
Material procurement loan	109,173	110,619
Non-financial institution loan	11,828	11,809
	$ 1,021,001	$ 1,080,428
Interest rate collars	1.03%~1.21%	1.03%~1.23%

By December 31, 2018 and 2017, besides the short-term loan amount as stated in Note 8, The Group has issued cashier's checks, respectively, with NT$820,000 and NT$635,000 as collateral.

(IX) Short-term notes payable

	December 31, 2018	December 31, 2017
Commercial papers	$ 110,000	$ 92,700
Less: Discount of short-term notes and bills payable	(23)	(29)
	$ 109,977	$ 92,671
Interest rate collars	1.13%~1.23%	0.89%~1.23%

The short-term bill is guaranteed by the bills finance company and financial instrument which is issued for short-term capital use, by December 31, 2018 and 2017, the cashier's checks have been issued, respectively, with NT$180,000 and NT$110,000 as collateral for short-term bill receivable.

(X) Other payables

	December 31, 2018	December 31, 2017
Accrued expenses	$ 482,386	$ 405,193
Equipment payables	28,213	23,133
Other payables	4,669	16,266
	$ 515,268	$ 444,592

(XI) Liability reserve-Current

	Litigation	Sales return	Total
January 1, 2018	$ 29,000	$ 35,235	$ 64,235
Use of current period	(29,000)	-	(29,000)
Refund liability	-	(35,235)	(35,235)
December 31, 2018	$ -	$ -	$ -

	Litigation	Sales return	Total
January 1, 2017	$ 49,000	$ 19,115	$ 68,115
Increase of the current period	-	62,216	62,216
Use of current period	(20,000)	(46,096)	(66,096)
December 31, 2017	$ 29,000	$ 35,235	$ 64,235

In February 2009, the Ministry of Justice held that during October 2001 ~ June 2004, the Company and its subsidiary CCPC Chung Hua participated in a pharmaceutical procurement case of an authority supervisory over public servants and CCPC Company and its subsidiary CCPC Chung Hua were awarded that tender, in contravention of Article 9 of the Act on Recusal of Public Servants Due to Conflicts of Interests. Based on Article 15 of the same Act, the Ministry of Justice imposed a fine amounting to NTD60,990 and NTD92,131 which the Company recognized as a loss in Year 2008 in full. In response to the administrative appeal lodged by the Company, the Ministry of Justice corrected the amount of the fine in July 2010 and October 2009 into an amount of NTD40,614 and NTD58,366 Further appeal through the Attorney-at-Law retained by the Company, the Company's appeal was dismissed by the Taiwan High Court in 2011. Once more, the Company lodged another appeal. The Supreme Administrative Court with a judgment rendered in May 2014 with a decision that the prior judgment should be set aside and the case should be returned to Taipei High Administrative Court. Taipei High Administrative Court rendered decision in February and April 2015 that the prior decisions rendering upon the Company and its subsidiary Chunghwa Yuming Healthcare Co., Ltd. should be set aside and that the Ministry of Justice should render another decision appropriate according to law in accordance with Article 15 of the Art for Avoidance From Presence (Recuse). Further on October 19, 2015, the Ministry of Justice issued a letter to correct the amount of the fine into NTD20,000 and NTD29,000 (entered into balance sheet as reserve for liability - current). Based on the most up-to-date ruling, the Company already reversed the originally entered penalty fine NTD49,980 and entered as "other revenue" in Year 2015. The Company lodged another administrative appeal in November 2015 and the Administrative Appeal Committee of the Executive Yuan (the Cabinet) dismissed the administrative appeal in April 2016. The Company lodged appeal with Taipei High Administrative Court and Taipei High Administrative Court already dismissed the appeal in September 2016. In turn, the Company lodged appeal to the Supreme Administrative Court in November 2016 and the Supreme Administrative Court rendered a judgment in September 2017 and March 2018 whereunder the Company and its subsidiary Chunghwa Yuming Healthcare Co., Ltd. was a loser in the final and irrevocable decision. The Group has paid the relevant fine and wrote off relating provision.

(XII) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured loans	$ 618,000	$ 608,000
Credit loan	1,210,000	1,071,000
	$ 1,828,000	$ 1,679,000
Interest rate collars	1.1%~1.65%	1.23%~1.65%

1. The re-payment term for unsecured loan and secured loan will be due from 2020 to 2021.
2. The detail for the unused loan amount of The Group is as follows:

	December 31, 2018	December 31, 2017
Floating annual rate		
Maturing in one year or less	$ 2,241,560	$ 1,884,000
Mature beyond one year	62,000	161,000
	$ 2,303,560	$ 2,045,000

By December 31, 2018 and 2017, the cashier's checks have been issued, respectively, with NT$1,620,000 and NT$1,260,000 as collateral for the long-term loan amounts as stated.

2. Please refer to Note 8 for description of collateral.

(XIII) Pension

1. (1) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company and subsidiary companies provisions 6% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company and subsidiary have the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company and subsidiary will have the spread amount appropriated in a lump sum before the end of March next year.

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

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	($ 514,892)	($ 482,792)
The fair value of plan assets	306,658	279,513
Net defined benefit liability (listing as non-liquidity liability)	($ 208,234)	($ 203,279)

(3) The changes in net defined benefit liabilities are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2018			
Balance at January 1	($ 482,792)	$ 279,513	($ 203,279)
Current service cost	(5,341)	-	(5,341)
Interest expenses (income)	(5,114)	2,978	(2,136)
	(493,247)	282,491	(210,756)
Revaluation amount:			
Assumption of change in Influence value for demography.	906	-	906
The effect of changes in financial assumptions	(7,513)	-	(7,513)
Experience adjustments	(31,312)	8,297	(23,015)
	(37,919)	8,297	(29,622)
The appropriation of pension fund	-	32,144	32,144
Pension payments	16,274	(16,274)	-
Balance at December 31	($ 514,892)	$ 306,658	($ 208,234)

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2017			
Balance at January 1	($ 489,413)	$ 244,046	($ 245,367)
Current service cost	(6,087)	2,232	(3,855)
Interest income (expenses)	(5,843)	687	(5,156)
	(501,343)	246,965	(254,378)
Revaluation amount:			
Assumption of change in Influence value for demography.	(2,087)	-	(2,087)
The effect of changes in financial assumptions	(3,881)	-	(3,881)
Experience adjustments	6,653	(768)	5,885
	685	(768)	(83)
The appropriation of pension fund	-	51,182	51,182
Pension payments	17,866	(17,866)	-

Balance at December 31	($ 482,792)	$ 279,513	($ 203,279)

(4) The fund assets for defined benefit plan of The Company are with entrusted management by Bank of Taiwan based on the investment program of the year to set the proportion of commission items and scope of amount, and in accordance with the items in Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which means deposit in the financial institutions domestically and overseas, investment in the equity securities and real estate securitization products of public, public listed and private companies), the relevant operation is supervised by Labor Pension Fund Supervisory Committee. For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. Please refer to the "Annual Labor Pension Fund Implementation Report" published by the government for the fair value of the total fund assets on December 31, 2018 and 2017.

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

	2018	2017
Discounted rate	0.5%-0.81%	0.70%~1.70%
Future salary increases rate	1.00%	1.00%

The assumption of future mortality rate is according to Taiwan Standard Ordinary Experience Mortality Tables 2012

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 13,024)	$ 19,047	$ 18,834	($ 13,058)
December 31, 2017				
The impact on the present value of the defined benefit obligations	($ 14,144)	$ 15,741	$ 15,667	$ 14,220

The sensitivity analysis referred to above is based on the impact of the changes in one single hypothesis while other assumptions remain unchanged. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The Group has appropriated NT$23,389 to the pension plan in 2019.

(7) As of December 31, 2018, the weighted average duration of the pension plan was for 4 years.

2. (1) Since July 1, 2005, the company and domestic subsidiaries have established definitive provision pension scheme for employees with Taiwan nationality in accordance with the “Labor Pension Act”. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the “Labor Pension Act” covering all regular employees. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to an employee’s individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee’s individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) In terms of the pension insurance system of the SCCPC regulated by the government of the People's Republic of China, pension insurance premiums based on a certain percentage of the total salary of local employees are appropriated every month. The ratio is 19% to 20% respectively, for the years 2018 and 2017. The pension of each employee is arranged by the government. The Group has no further obligations other than appropriating the pension each month.

(3) For 2018 and 2017, the net pension cost recorded by the company according to the above mentioned pension plans are NT$59,760 and NT$53,180 respectively.

(XIV) Capital stock

1. As of December 31, 2018, the Company’s authorized capital was NT$3,000,000, consisting of 298,081 thousand shares and the Company’s paid-up capital was NT$2,980,811 with a par value of $10 per share.
2. The number initial and ending outstanding shares of The Company in 2018 and 2017 is 298,081,000.
3. Tairung Development Co., Ltd. possessed 828,000 shares of The Company by December 31, 2018 and 2017 with book value both at NT$33.89 and the fair value of each share are, respectively, NT$18.10 and NT$18.65.
4. The shares possessed by the associate of The Company by December 31, 2018 and 2017 are, respectively, 17,892,000 and 5,028,000

(XV) Capital surplus

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. According to the Securities Transactions Act and its related rules, where capital reserve is applied to supplement capital as above, the total amount cannot exceed 10% of the paid up capital. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(XVI) Retained earnings

1. According to the Articles of Incorporation of The Company, the dividend policy is planned in consideration of the future capital requirements and long-term financial arrangement and to meet the requirement of cash inflow by the shareholders, if there are

any earnings in the general annual report, the tax should be paid firstly and make up for the previous annual losses, then allocate 10% as legal reserve and special reserve based on the regulations, if any earnings are still available, accumulated with the undistributed earnings from the previous year as profit available for distribution, to reserve according to the sales with discretion, and allocate bonus to shareholders, of which the cash dividends shall not be less than 50% of the shareholder bonus and if the cash dividend is less than NT$0.1, the stock dividends will be issued instead.

2. Legal earnings reserves can only be applied to offset company losses or issue new shares or cash according to the original shareholding ratio, and nothing else. When it is applied to new share or cash issues, the reserve shall be exceeding 25% of the paid-up capital.

3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance of other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When firstly adopted IFRSs, the Financial Supervisory Commission (FSC) issued Jin-Guan-Zheng-FA-Zi No. 1010012865. On April 6, 2012, which The Company adopts hereafter to implement, disposal or reclassification of relevant assets, reversal by the proportion of the special earned surplus as recognized initially. If the previously stated relevant assets are investment real properties, reversal with disposal or reclassification for those classified as land, for those except for land, reverse gradually while being in use.

4. Upon the resolution made by the shareholders on May 29, 2018 and May 26, 2017, the disposition of earnings of The Company for 2017 and 2016 are as follows.

	2017		2016	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal reserve	$ 31,073	-	$ 31,321	-
Cash dividends	178,849	0.6	178,849	0.6
	$ 209,922		$ 210,170	

The relevant information about the disposition of earnings as above stated which proposed by the Board of Directors and decided by the shareholders can be inquired on “Market observation post system” of Taiwan Stock Exchange Corporation.

5. The Board of Directors proposed in their meeting on March 11, 2019 to appropriate the 2018 earnings as follows:

	2018	
	Amount	Dividends per share ($)
Legal reserve	$ 36,987	-
Cash dividends	238,465	0.8
	$ 275,452	

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

6. Please refer to Note 6 (21) for the information of remuneration to employees and directors.

(XVII) Other equity

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

	2017 Available-for-sale investments	Foreign-currency translations	Total
January 1	$ 53,986	($ 542)	$ 53,444
Valuation adjustment of available for sale investment:			
- Group	30,631	-	30,631
- Affiliated enterprises	490	-	490
Foreign currency translation differences:			
- Group	-	(67,858)	(67,858)
- Tax of the group	-	11,536	11,536
- Affiliated enterprises	-	(279)	(279)
December 31	$ 85,107	($ 57,143)	$ 27,964

(XVIII) Operating revenue

	2018
Revenue from sales contract	$ 7,548,985
Revenue from labor service contract	31,251
	$ 7,580,236

1. Subdivision of the revenue from contracts with customers

   For the revenue of The Group originated from the products being transferred at a certain time, the revenue can be subdivided to the following regions:

2018	Taiwan region	China and other regions	Total
Revenue from sales contract	$ 4,694,423	$ 2,854,562	$ 7,548,985
Revenue from labor service contract	31,251	-	31,251
	$ 4,725,674	$ 2,854,562	$ 7,580,236

2. Contractual liability

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

	December 31, 2018
Contractual liability- Sales contract of medicine	$ 54,390

3. The revenue amount recognized at current period for the initial contractual liability occurred due to the sales contract is NT$54,609.
4. The refund liability which The Group recognized for some goods with right of return is as follows:

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

5. Please find Note 12, (5)2 for the relevant disclosured details for the business revenue in 2017.

(XIX) Other income

	2018	2017
Interest revenue		
Interest from bank deposits	$ 23,300	$ 16,792
The interest revenue of financial assets at amortized cost	22	-
The interest revenue of debt instrument in non-active market	-	43
Other interest incomes	5,046	4,573
Sum of interest revenue	28,368	21,408
Dividend income	10,400	10,390
Other Revenue- other	12,836	14,177
	$ 51,604	$ 45,975

(XX) Other profits and losses

	2018	2017
Gain in disposal of real estate, plant buildings, equipment & facilities	$ 870	$ 921
Foreign exchange gains (loss)	4,956	(355)
Other losses	(536)	(1,333)
	$ 5,290	($ 767)

(XXI) Employees' welfare and depreciation, amortization expenses

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

Functionality / Characteristics	2017 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 347,542	$ 644,220	$ 991,762
Labor insurance and national health insurance	31,139	53,994	85,133
Pension expenses	20,471	41,720	62,191
Other employee benefits expenses	26,190	49,576	75,766
Depreciation expenses	177,221	70,492	247,713
Amortization expenses	1,408	5,451	6,859

1. According to the Articles of Incorporation of the Company, the Company, in accordance with the accumulated profit after deducting the accumulated losses, shall have the "remuneration to employees" appropriated for an amount equivalent to 1%~5% of the remaining earnings and not more than 3% of the earnings as the remuneration of the directors, if any.
2. The Company had the 2018 and 2017 remuneration to employees appropriated for an amount of NT$30,000 and NT$21,750, respectively; the remuneration to directors appropriated for an amount of NT$4,400 and NT$3,300, respectively. The said amounts were booked in the salary expense account.
   (2) The estimated recognition of 2018 is based on the profitability of the year, of which 6.42% for employee bonus and 0.94% for the bonus of the members of the board.
   (3) The remuneration to employees and remuneration to directors for an amount of NT$21,750 and NT$3,300 in 2017 resolved by the Board of Directors was same as the amount reported in the 2017 financial statements.
3. Information on the employee and remuneration for directors as approved by the board of directors can be found on the Market Observation Post System.

(XXII) Financial costs

	2018	2017
Interest expenses:		
Bank loan	$ 37,531	$ 35,699
Non-financial institution loan	120	120
	$ 37,651	$ 35,819

(XXIII) Income tax

1. Income tax expense
   (1) Components of income tax expense:

	2018	2017
Current income tax:		
Current income tax	$ 95,677	$ 63,087
Additional levy on undistributed earnings	10,501	6,274
Overestimated income tax in prior periods	(10,690)	(8,582)
Total Current income tax	95,488	60,779
Deferred income tax:		
Origin and reversal of temporary differences	(1,716)	(1,210)
The influence of change in tax rate	(10,231)	-
Total deferred income tax	(11,947)	(1,210)
Income tax expenses	$ 83,541	$ 59,569

(2) Income tax amounts relating to other comprehensive profit and loss:

	2018	2017
Exchange differences in overseas operating institutions	($ 2,183)	($ 11,536)
Defined benefit obligation revaluation amount and volume	(5,924)	(14)
The influence of change in tax rate	(3,293)	-
	($ 11,400)	($ 11,550)

2. Relationship between income tax expense and accounting profit:

	2018	2017
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 100,318	$ 72,199
Tax-free income by Income Tax Law	(2,494)	-
The unrealized income according to the tax act.	(22,543)	(21,526)
Excluded expenses by Income Tax Law	14,481	6,393
The influence value of the temporary difference in current tax rate and unrecognized	-	(200)
The unrecognized deferred income tax assets with temporary difference.	3,106	-
Tax loss-unrecognized deferred income tax assets	1,799	4,986
The realized evaluation change of deferred income tax assets	(706)	25
Additional levy on undistributed earnings	10,501	6,274
The influence of change in tax rate	(10,231)	-
Overestimated income tax in prior periods	(10,690)	(8,582)
Income tax expenses	$ 83,541	$ 59,569

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

2018	January 1	Influence value of IFRS 9	Recognized in the profit or loss	Recognized in the other comprehensive net loss	Net exchange differences	December 31
Timing difference:						
- Deferred income tax assets:						
Inventory valuation and obsolescence losses	$ 3,760	$ -	$ 5,718	$ -	($ 18)	$ 9,460
Gross profit influence of sales discounts and allowances	12,199	-	27	-	-	12,226
Gross profit influence of sales return	2,306		1,450	-	-	3,756
Transfinite number of allowance for doubtful accounts loss	7,206	4,638	6,121	-	(17)	17,948
Unrealized gross profit	12,357	-	3,598	-	-	15,955
Unrealized expense	20,385	-	6,596	-	(193)	26,788
Net determined benefit liability	24,615	-	29	-	-	24,644
Investment loss of equity method	17,473	-	903	-	-	18,376
Impairment loss	5,226	-	922	-	-	6,148
Depreciation on class of real property, plant and facility.	2,489	-	(691)	-	(15)	1,783
Government grant income	21,893	-	(806)	-	(195)	20,892
Reevaluation of determined benefit plan	14,316	-		8,598	-	22,914
Translation adjustment of the foreign operation	3,782	-	-	2,851	-	6,633
Tax loss	-	-	997	-	-	997
Others	2,281	-	70	-	-	2,351
Subtotal	$ 150,288	$ 4,638	$ 24,934	$ 11,449	($ 438)	$ 190,871

2018

	January 1	Influence value of IFRS 9	Recognized in the profit or loss	Recognized in the other comprehensive net loss	Net exchange differences	December 31
- Deferred income tax liabilities:						
Income of investment under the equity method	($ 49,068)	$ -	($ 12,030)	$ -	$ -	($ 61,098)
Revaluation increment of land	(65,411)	-		-	-	(65,411)
Unrealized exchange gain	(90)		(604)	-	-	(694)
Net determined benefit liability			(353)			(353)
Defined benefit obligation revaluation amount and volume	(388)	-	-	(49)	-	(437)
Subtotal	($ 114,957)	$ -	($ 12,987)	($ 49)	$ -	($127,993)
Total	$ 35,331	$ 4,638	$ 11,947	$ 11,400	($ 438)	$ 62,878

2017

	January 1	Recognized in the profit or loss	Recognized in the other comprehensive net loss	Net exchange differences	December 31
Timing difference:					
- Deferred income tax assets:					
Inventory valuation and obsolescence losses	$ 2,775	$ 1,004	$ -	($ 19)	$ 3,760
Gross profit influence of sales discounts and allowances	10,308	1,891	-	-	12,199
Gross profit influence of sales return	1,369	937	-	-	2,306
Transfinite number of allowance for doubtful accounts loss	7,035	171	-	-	7,206
Unrealized gross profit	18,701	(6,344)	-	-	12,357
Unrealized expense	7,115	13,290	-	(20)	20,385
Determined benefit obligation	31,735	(7,120)	-	-	24,615
Investment loss of equity method	18,180	(707)	-	-	17,473
Unrealized exchange loss	173	(173)	-	-	-
Impairment loss	5,226	-	-	-	5,226
Depreciation on class of real property, plant and facility	3,289	(716)	-	(84)	2,489
Government grant income	23,534	(979)	-	(662)	21,893
Defined benefit obligation	14,231	-	85	-	14,316

2017

	January 1	Recognized in the profit or loss	Recognized in the other comprehensive net loss	Net exchange differences	December 31
revaluation amount and volume					
Translation adjustment of the foreign operation	-	-	3,782	-	3,782
Others	1,966	315	-	-	2,281
Subtotal	$ 145,637	$ 1,569	$ 3,867	($ 785)	$ 150,288
- Deferred income tax liabilities:					
Income of investment under the equity method	($ 48,799)	($ 269)	$ -	$ -	($ 49,068)
Revaluation increment of land	(65,411)	-	-	-	(65,411)
Unrealized exchange loss	-	(90)	-	-	(90)
Translation adjustment of the foreign operation	(7,754)	-	7,754	-	-
Defined benefit obligation revaluation amount and volume	(317)	-	(71)	-	(388)
Subtotal	($ 122,281)	($ 359)	$ 7,683	$ -	($ 114,957)
Total	$ 23,356	$ 1,210	$ 11,550	($ 785)	$ 35,331

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

December 31, 2018

Occurrence year	Declared amount / verified amount	Non-deducted amount	Unrecognized deferred income tax assets	Final credit year
2009	$ 13,295	$ 13,295	$ 13,295	2019
2010	22,108	22,108	22,108	2020
2011	32,377	32,377	32,377	2021
2012	26,978	26,978	26,978	2022
2013	10,579	10,579	10,579	2023
2014	16,746	16,746	16,746	2024
2015	42,789	42,789	42,789	2025
2016	14,030	14,030	14,030	2026
2017	15,041	15,041	15,041	2027
2018	9,990	9,990	8,993	2028
	$ 203,933	$ 203,933	$ 202,936	

December 31, 2017

Occurrence year	Declared amount / verified amount	Non-deducted amount	Unrecognized deferred income tax assets	Final credit year
2008	$ 24,958	$ 24,958	$ 24,958	2018
2009	13,295	13,295	13,295	2019
2010	22,108	22,108	22,108	2020
2011	32,377	32,377	32,377	2021
2012	26,978	26,978	26,978	2022
2013	10,579	10,579	10,579	2023
2014	16,746	16,746	16,746	2024
2015	49,044	49,044	49,044	2025
2016	19,714	19,714	19,714	2026
2017	25,921	25,921	25,921	2027
	$ 241,720	$ 241,720	$ 241,720	

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 16,803	$ 14,285

6. Besides the profit-seeking enterprise income tax of Chunghwa Senior Care Co., Ltd. which has been verified to 2017 by the revenue service agent, the domestic profit-seeking enterprise income tax of other companies of The Group has been verified to 2016 by the revenue service agent.
7. In Taiwan, the Income Tax Act was promulgated into validity in February 7, 2018 whereunder the rate of profit-seeking enterprise income tax was raised from 17% to 20%. This amendment does not apply until 2018. The Group has evaluated relevant income tax influence for such changes in tax rates

(XXIV) Earnings per share

Basic and diluted earnings per share

	2018		
	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
The ordinary shares belong to the parent company.			
Current year's net income of shareholders	$ 369,870	297,253 thousand shares	$ 1.24

	2017		
	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
The ordinary shares belong to the parent company.			
Current year's net income of shareholders	$ 310,739	297,253 thousand shares	$ 1.05

From 2008 onward, employee can be made by way of shares issues, the calculation of earnings per share is based on the assumption that employee bonus is made using shares, and when the potential ordinary shares has the dilution effect, it is then included in the number of weighted average outstanding shares to calculated the diluted earnings per share; when calculating basic earnings per share, the number of shares confirmed in the shareholders meeting resolution for employee bonus by way of shares is then included in the weighted average outstanding ordinary shares for the year of resolution. In 2018 and 2017, since the imputed dilution effect of the common stock for employee's bonus is minor, The Company tends to not disclose the dilution of earnings per share.

(XXV) Supplementary information about the cash flows

Investing activities partially funded with cash:

	2018	2017
Purchase of property, plant, and equipment	$ 171,508	$ 141,566
Less: Initial prepayments for business facilities	(26,925)	(43,346)
Add: Ending prepayment for business facilities	68,210	26,925
Add: beginning balance of equipment amount payable	23,133	32,359
Less: Ending payment payable for business facilities	(28,213)	(23,133)
Cash Paid for the Period	$ 207,713	$ 134,371

(XXVI) Changes in liability from financial activities.

	Shot-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities from financial activities.
January 1, 107	$ 1,080,428	$ 92,671	$ 1,679,000	$ 2,852,099
Borrowing	-	17,306	847,000	864,306
Repayment	(59,427)	-	(698,000)	(757,427)
December 31, 2018	$ 1,021,001	$ 109,977	$ 1,828,000	$ 2,958,978

	Shot-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities from financial activities.
January 1, 2017	$ 1,060,620	$ 115,994	$ 1,640,000	$ 2,816,614
Borrowing	19,808	-	555,000	574,808
Repayment	-	(23,300)	(516,000)	(539,300)
Discount amortization	-	(23)	-	-
December 31, 2017	$ 1,080,428	$ 92,671	$ 1,679,000	$ 2,852,099

VII. Related party transactions

(I) Name and relationship of related parties

Name	Relationship with the Group
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	Associate of The Group
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	Associate of The Group
Warm-Up Social Enterprise Co., Ltd.	Associate of The Group
CCPC Health Biological Technology Co., Ltd.	Associate of The Group
Shanghai VisuScience Mediteh Co., Ltd.	Associate of The Group
HU-YU CO., LTD (HU-YU)	The individual controlled by major management team of The Group
Fontanus Biotech Co., Ltd. (Fontanus Biotech)	Substantial related party (Note)

Note: Being liquidated in October 2017.

(II) Major transactions with related parties

1. Operating revenue

	2018	2017
Merchandising:		
The individual controlled by major management team- HU-YU	$ 323,509	$ 356,623
Substantial related party	-	16,825
Affiliate business	1,276	867
	$ 324,785	$ 374,315

(1) The transaction price which the group offers to the subsidiary and the substantial related party is based on the quotation in the purchase agreement signed by both parties, and the payment is Net 180 days. The transaction price for the joint replacement products that The Company sells is made by the individual controlled by the major management team based on the import cost plus 4%. Due to the industry peculiarities, the payment is 240 days which is longer than the general transactions.

(2) The payment term of The Group for general customers is 120 days to 180 days. Except for the previous statement, the payment term and transaction price for related party is relevant to customers at the same level, however, part of the payment is still being delayed.

2. Purchases

	2018	2017
Purchase of goods:		
Affiliate business	$ 57,568	$ 32,292

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

3. Accounts receivable and notes

	December 31, 2018	December 31, 2017
Accounts receivable and notes:		
One of the individuals controlled by the major management team		
HU-YU	$ 221,393	$ 223,596
Substantial related party	-	-
Affiliate business	6	-
	221,399	223,596
Less: Allowance for losses	(33,227)	(17,797)
Total	$ 188,172	$ 205,799

The payment term of the group for general customers is 120 days to 180 days, for the substantial related party is 180 days and for the individual controlled by the major management team is 240 days. For the bill to related party with overdue payment, the recognition has been changed to “other account receivable- related party” with the collateral guarantee offered by the chairman of the company. Please refer to Note 7 (1)5(1) loan funds of “The individual controlled by the major management team”

4. Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable:		
Affiliate business	$ 26,939	$ 15,834

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

5. Other receivable

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

	December 31, 2018	December 31, 2017
One of the individuals controlled by the major management team		
HU-YU	$ 200,299	$ 187,986
Less: Allowance for losses	(30,045)	(28,198)
	$ 170,254	$ 159,788

B. Interest income

	2018	2017
The individual controlled by the major management team		
HU-YU	$ 5,041	$ 4,540

(2) Interest receivable, rent receivable and collection and payment transfer.

	December 31, 2018	December 31, 2017
One of the individuals controlled by the major management team		
HU-YU	$ 13,685	$ 16,366

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

	Account titles in book	Number of shares	Object of transaction	2018 Prices of acquirements
Associate- Phermpep	Investment accounted for under the equity method	500,000	CCPC Health Biological Technology Co., Ltd.	$ 5,000
Associate-Shanghai Chiapeng	Investment accounted for under the equity method	-	Shanghai VisuScience Mediteh Co., Ltd.	32,593
Total				$ 37,593

7. Provide the endorsement guarantee status of the related party

	December 31, 2018	December 31, 2017
One of the individuals controlled by the major management team		
HU-YU	$ 321,000	$ 350,000

(III) Remuneration to key management

	2018		2017	
Short-term employee benefits	$	63,775	$	61,923
Retirement benefits		1,804		1,746
	$	65,579	$	63,669

VIII. Pledged assets

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

	Book Value				
Asset Item	December 31, 2018		December 31, 2017		Purpose of guarantee
Property, plant, and equipment	$	2,605,319	$	2,710,092	Long-term and short-term loan, purchase…etc.
The certificate of deposit (listed in other financial assets- liquidity)		28,632		27,916	Bank's Acceptance Bill

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Contingencies

1. The company has in March 2016 received a Taipei District Court Civil Court notice, notifying the Securities Investor and Futures Traders Protection Center (hereinafter referred to as the Investors Protection Center) seeking the court to dismiss company chairman's director position, for dismissing the appointment relation between the company and its chairman, thus the Investors Protection Center has also enlisted the company as the joint defendant, to which the company has appointed its legal counsel to conduct counter the argument, whereof the Taipei District Court has in December 2016 overruled the Investor Protection Center's suit, and following the Investors Protection Center pressing an appeal with the Taipei High Court, the Taipei High Court has in October 2018 rendered a judgment awarding the company with a defeat suit, and following the company and company chairman pressing an appeal, the Supreme court has on January 9, 2019 overruled the appeal that has been confirmed, except with the company having had an across the board re-election of its directors and independent directors before the November 14, 2018 shareholders' meeting, thus the case judgment and confirmation do not affect the incumbent directors' fiduciary duties as voted before the November 14, 2018 shareholders' meeting.
2. The company has in September 2017 received from TSH Biopharm pressing a patent infringement and breach of Fair Trade Act litigation and also seeking a $5,000 compensation, which the company has duly evaluated to be free of any circumstance of what it cited as breach of the Patent Law and Fair Trade Act, while the Intellectual Property Court has in July 2018 overruled Tsh Biopharm's suit, and following Tsh Biopharm pressing appeal with Intellectual Property Court in August 2018, the company has retained legal counsel to conduct counterargument.

(II) Commitments

1. The rent payable for the land and office which the group leases according to the lease contract is NT$46,820 until the expiry date (April 19, 2025).
2. The unpaid amount for contract of purchasing machines and equipment as well as the plant is summed up as NT$222,426.
3. The amounts of the issued letter of credit without being used and the issued cashier's checks are respectively NT$56,628 and NT$2,620,000.
4. Chunghwa Yuming signed a distribution agreement for the new medicine with a Korean vendor- Celltrion Healthcare in January 2011 with the total amount of NT$343,300. By December 31, 2018, Chunghwa Yuming has paid NT$64,260, account listed as (other non-liquidity liabilities-long-term pre-paid payment) was expected to be sold in 2013, and however, since it's still at the drug license applying phase, the balance payment will be paid within 2 years after the sales start.
5. Chunghwa Yuming signed the distribution agreement for the new medicine with the vendor- Regulon in July 2011 with the total amount of EUR$1,800,000. By December 31, 2018, Chunghwa Yuming has paid NT$36,855 (EUR$ 900,000) Account list as "other non-liquidity liabilities-long-term prepaid payment) However, after evaluation in 2015, Chunghwa Yuming realized the development of such new medicine is not as expected, therefore the recognition of impairment loss of NT$30,747 was listed.

X. Significant disaster loss

No such event

XI. Significant subsequent events

Please find Note 6 (16) 5 for explanation of the earnings distribution.

XII. Others

(I) Capital management

The Group's capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Group may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Group's capital structure. The Group uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including "current and non-current borrowings" presented in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the consolidated balance sheet plus net debts.
The strategy of The Company in 2018 is the same as that in 2017, which is dedicated to maintain the debt-to-capital ratio to 40% below. The debt-to-capital ratio of The Group in December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Total loan amount	$ 2,958,978	$ 2,852,099
Less: Cash and cash equivalent	(594,627)	(763,684)
Net debt	2,364,351	2,088,415

Total equity	5,701,157	5,603,695
Total capital	$ 8,065,508	$ 7,692,110
Liability/assets ratio	29%	27%

(II) Financial instruments

1. Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	275,623	-
Available-for-sale financial assets	-	282,836
Financial assets at cost	-	30,710
The financial assets / loan and accounts receivable after amortized cost.		
Cash and cash equivalents	$ 594,627	$ 763,684
Liability instrument investments for which no active market exists	-	3,000
Notes receivable	544,764	579,780
Accounts receivable	1,580,590	1,359,035
Other receivables	216,402	207,920
Refundable deposits	32,512	38,795
Other financial assets	28,632	27,916
	$ 3,273,150	$ 3,293,676
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 1,021,001	$ 1,080,428
Short-term notes payable	109,977	92,671
Payable notes	143,158	127,891
Accounts payable	882,390	708,721
Other payable	515,268	444,592
Deposits received	35,846	38,596
The long-term loan (including the expiration of one year or an operating cycle).	1,828,000	1,679,000
	$ 4,535,640	$ 4,171,899

2. Risk management policies

(1) The daily operation of The Group is affected by multiple financial risks, which include the market risk (currency risk, interest rate risk and price risk), credit risk

and liquidity risk. The overall risk management policy of The Group is to focus on the unpredictable matters of the financial market and seek for the method to decrease the potential adverse impact on the financial situation and financial performance of The Group.

(2) The risk management is executed by the financial department of The Group according to the policies approved by the board of directors. The financial department of the group works close with the operation unit of The Group to identify, evaluate and avoid risk. The board of director also sets the written principle for the overall management risk and provides a written policy for specific scope and matters, ex. currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments as well as the investment of the remaining liquidity.

3. Nature and degree of the significant financial risk.

(1) Market Risk

Exchange rate risk

A. The operation of The Group is transnational, which suffers from the currency exchange rate fluctuations that are incurred by multiple currencies and the majority is US dollars and Japanese YEN. The relevant currency risk comes from the future commercial deals, recognized assets and liability as well as the net investment of the foreign operation.

B. The business of The Group involves several non-functional currencies (the functional currency of The Company and some subsidiaries is NTD, while that of some subsidiaries are US dollars and RMB), and therefore are affected by the exchange rate fluctuation, the information about the currency with significant exchange rate fluctuation is as follows:

	December 31, 2018		
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
JPY: NTD	$ 183,569	0.2785	$ 51,124
USD: NTD	2,394	30.72	73,544
JPY: RMB	28,560	0.06	7,953
USD:RMB	1,330	6.87	40,858
Financial liabilities			
Monetary items			
USD: NTD	$ 6,832	30.72	$ 209,879
JPY: NTD	16,520	0.2785	4,601

December 31, 2017			
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 332	29.76	$ 9,880
JPY: NTD	56,551	0.2642	14,941
USD:RMB	1,040	6.59	31,283
JPY: RMB	16,828	0.06	4,446
Financial liabilities			
Monetary items			
USD: NTD	$ 1,596	29.76	$ 47,497
JPY: NTD	7,412	0.2642	1,958
USD:RMB	115	6.59	30

C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of the group recognized in 2018 and 2017 are summed, respectively, as NT$(4,956) and NT$355.

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

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

	2017				
	Sensitivity analysis				
	Magnitude changes	Influence of profit and loss		The impact of other comprehensive profit or loss	
(Foreign currency: Functional currency)					
Financial assets					
Monetary items					
JPY: NTD	1%	$	147	$	-
JPY: RMB	1%		313		-
Financial liabilities					
Monetary items					
USD: NTD	1%	$	-	$	-
JPY: NTD	1%		19		-
AUD: NTD	1%		-		-
JPY: RMB	1%		-		-

Price risk

A. The equity instrument exposed to price risk of The Group means all financial assets listed in the account at fair value through other comprehensive income. To manage the price risk for the investment of equity instrument, The Group will break down the investment portfolio which is followed by the limited amount set by The Group.

B. The Group mainly invests in the domestic listed and unlisted equity instrument, the price of such equity instrument will be affected by the uncertainty of the future value of that investment object. If the price of that equity instrument rises or drops 1%, and all other elements remain the same, the profits or losses of the equity investment classified by fair value through other comprehensive income and financial assets at amortized cost and available-for-sale equity investment in 2018 and 2017 are, respectively, increased or decreased for NT$2,756 and NT$2,828.

Cash flows and the interest risk of fair value

A. The interest risk of The Group comes from the long-term loan, short-term loan and short-term bills receivable. The Group suffers from the interest rate risk of the cash flows based on the loan issued according to floating rate, part of the risk is being offset with the cash and cash equivalents based on the floating rate. The Group suffers from the interest rate risk of the fair value with the loan issued based on the fixed rate. The loan of The Group is mainly with floating rate. The loan amount of The Group in 2018 and 2017 is based on the floating rate in NTD, US dollars and Japanese YEN.

B. In 2018 and 2017, if the change in loan interest rates is 0.1%, and all other elements are remained the same, net incomes of 2018 and 2017 will respectively decreases NT$2,367 and NT$2,367 mainly because of the decrease or increase of the interest for the loan of floating interest.

(2) Credit Risk

A. The credit risk of The Group comes from the financial loss risk due to the unperformed contract obligations of the counter party, and the cash flow of the account receivable can't be paid by the counter party based on the payment term.

B. The Group established credit risk management in view of a group. According to the credit policy specified internally, before setting the payment, delivery terms and conditions with the new customer, each operating individual in the group should manage and proceed with the credit risk analysis. The internal risk management is to evaluate the credit quality of the customer in consideration of the financial situation, previous experience and other factors. The limited amount of the individual risk is set by the board of director according to the internal or external rating and monitored with the use of the credit line regularly.

C. The Group adopts IFRS 9 to provide the following assumption as the basis to judge if the credit risk of the financial instrument significantly increases since initial recognition:
According to the actual receipt of payment previously, when the payment amount is exceeding than the amount agreed in the contract, the credit risk of the financial assets after initially recognized is considered as significantly increased.

D. The Group adopts IFRS 9 to provide the assumption and based on actual receipt of payment previously that if the payment term in the contract exceeding 91-180 days, it will be considered as violation.

E. The Group classifies the accounts receivable of the customers according to the features of customer type with simplified method to prepare matrix and loss-rate approach as a base to estimate the expected credit loss.

F. With the recourse process, The Group writes off the receivable amount of the financial assets which can't be expected reasonably, however, The Group will still proceed with the low process for recourse to reserve the equity of liability. By December 31, 2018, The Group did not have the liability for creditor's with recourse write-off.

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

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

(2) The expected loss rate for the individual of the management team of The Group is 15%, and the amounts of the payment receivable/ total bills as and allowances for loss on December 31, 2018 are, respectively, NT$221,393 and NT$33,227.

(3) The Group adjusts the loss rate established according to the historical and current information in a specific period of time in consideration of the completeness of vision, to estimate the bill receivable and allowance for loss. The prepared matrix of December 31, 2018 is as follows:

	Overdue within 30 days	31 to 90 days overdue.	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2018					
Expected rate of loss	0.01%-0.69%	0.08%-24.21%	0.20%-100%	100%	
Total amount of the book value	1,780,756	203,366	41,122	20,563	2,045,807
Allowance for losses	5,532	10,856	11,133	20,563	48,084

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

	2018 Note receivable and accounts receivable	Other receivables	Total
January 1_IAS 39	$ 34,363	$ 28,198	$ 62,561
-Translation adjustment which is applicable for new criterion.	27,803	-	27,803
January 1_IFRS 9	62,166	28,198	90,364
Recognition of impairment loss	21,977	-	21,977
de-recognition	(884)	-	(884)
Disposition of subsidiaries	(6)	-	(6)
Reclassification	(1,847)	1,847	-
Foreign exchange impact amount	(95)	-	(95)
December 31	$ 81,311	$ 30,045	$ 111,356

1. Please find Note 12, (4) for the explanation of the credit risk information on December 31, 2017.

(3) Liquidity risk

A. The prediction of cash flows is executed by each operating unit in the group and summarized by the financial department of the group. The financial department of the group monitors the prediction for the liquidity requirement of the group, to ensure the capital is sufficient to support the operation requirements.

B. The below table is the derivative financial liabilities of The Group, which is classified based on the due date. The derivative financial liabilities are analyzed according to the remaining period between the date of balance sheet to the expiry date of the contract. The amount of the cash flows in the contract disclosed by the following table is the undiscounted amount.

Non-derivative financial liabilities: December 31, 2018	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 195,481	$ 825,520	$ -	$ -
Short-term notes payable	34,977	75,000	-	-
Payable notes	85,875	57,283	-	-
Accounts payable	710,308	172,082	-	-
Other payables	427,913	87,355	-	-
Long-term borrowings	5,454	16,363	1,741,639	100,863
Deposits received	5,546	11,227	4,920	14,153

Non-derivative financial liabilities: December 31, 2017	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 25,566	$ 1,054,862	$ -	$ -
Short-term notes payable	62,671	30,000	-	-
Payable notes	72,688	55,203	-	-
Accounts payable	558,081	150,640	-	-
Other payables	210,389	234,203	-	-
Long-term borrowings	5,870	16,373	1,410,720	283,368
Deposits received	-	-	-	38,596

(III) Fair value information

1. Please refer to Note 12, (2) 1. for the fair value information of the financial assets that are not measured at the fair value.
2. The valuation technique for measuring the fair value of financial and non-financial instruments is defined as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date An active market refers to the market with sufficient frequency and quantity of the assets or liabilities transactions took place in order to provide market pricing information constantly. The fair value of the stock investment for the listed stock invested by The Group is all included.

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable inputs of assets or liabilities.

3. The Group's financial and non-financial instruments measured at fair value are classified by the nature of assets and liabilities, characteristics and risks, and fair value as follows:

(1) The relevant information about the classification of the nature for the assets and liabilities of The Group is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Investment of equity instruments at fair value through other comprehensive income	$ 244,590	$ -	$ 31,033	$ 275,623

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Available-for-sale financial assets – Equity securities	$ 282,836	$ -	$ -	$ 282,836

(2) The methods and assumptions used by the Group to measure fair value are described as follows:

A. The Group adopts the market quotation as the input value for the fair value (which is the first class), the classfication according to the feature of the tool is as follows:

	Listed stocks
Market quotation	Closing price

B. Besides the financial instrument of the active market as stated above, the fair value of other financial instrument is obtained by evaluation technique or reference of the counter party.

C. While evaluating the financial instrument which is non-standardized and with low complexity, The Group adopts the evaluation technique which is comprehensively used by the market participants. The parameter used for the valuation model of such financial instrument is usually the observable information of the market.

D. What the valuation model comes out is the estimated value, and the evaluation technique can't reflect all relating factors of the financial instrument and non-financial instrument of The Group. Therefore, the estimated value of the valuation model will be adjusted based on the additional parameter properly, such as the model risk or liquidity risk…etc. According to the management policy and relevant control program of the valuation model for fair value of The

Group, the management team believes it is appropriate and necessary to adjust the evaluation for expressing the fair value of the financial instrument and non-financial instrument in the aggregate balance sheet. The price information and parameter used in the valuation process is evaluated prudently and adjusted according to the current market situation properly.

5. There was not any transfer between Level 1 and Level 2 in 2018 and 2017, respectively.
6. The changes in Level 3 in 2018 and 2017, respectively, are described as follows:

	2018
	Equity instruments
January 1	$ -
- Translation adjustment which is applicable for new criterion.	31,342
January 1_IFRS 9	31,342
Evaluation adjustment	(309)
December 31	$ 31,033

7. The valuation process for classifying the fair value to the third level of The Group is proceeded by the financial department for the independent fair value valuation of the financial instrument, by using the independent sources to have the valuation result close to the market status, and make sure that the sources of the information is independent, reliable and consistent with other resources as well as all other necessary adjustment of fair value, to ensure the valuation result is reasonable.

   Besides, the valuation policy, valuation process and confirmation for the fair value of the financial instrument set by the Ministry of Finance meet the regulations of relevant international financial reporting standards.
8. The sensitivity analysis explanation of the quantitative data of significant non-observable input value and change of significant non-observable input value which belongs to the valuation model for the items to review the Level 3 of fair value is as follows:

	Fair value on December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Stock of the venture capital	$ 31,033	Net assets value method	Not applicable	Not applicable

9. The valuation and valuation parameter chosen by The Group is evaluated properly, however, the different valuation model or valuation parameter may lead in different valuation result.

(IV) The information about influence of first-time adoption of International Financial Reporting Standards 9 and the information about adoption of International Accounting Standards 39 in 2017.

1. The explanation of the significant accounting policies adopted in 2017 is as follows:
   (1) Available-for-sale financial assets
   A. Available-for-sale financial assets are non-derivatives that are either designated

as available-for-sale or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are accounted for using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. Subsequent appraisal is at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in "financial assets carried at cost".

(2) Loans and Receivables

A. Accounts receivable

Loans and receivables are originated by the entity and refer to amounts receivable from customers arising from the direct Provision of merchandise or services. Loans and receivables are measured at fair value on initial recognition and subsequently at the amortized cost using the effective interest rate less provision for impairment. Short-term non-interest bearing accounts receivable are measured subsequently at the original invoice amount as the effect of discount is insignificant.

B. Liability instrument investments for which no active market exists

The debt instrument investment in non-active market which The Group possesses doesn't match the certificate of deposit of cash equivalents due to the short possessing period and the limited influence of discounting, therefore, it's measured by the investment amount.

(3) Impairment of Financial Assets

A. The Group assesses at each balance sheet date to determine whether there is objective evidence of impairment on a financial asset or a group of financial assets. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a single or several loss event(s) has (have) occurred after the initial recognition of the asset, and that the "loss event" has an impact on the future cash flows of the asset that can be estimated reliably.

B. Objective evidence that a financial asset or a group of financial assets is impaired includes:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(D) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or changes in national or local economic conditions that correlate with defaults on the assets in the group;

(E) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(F) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortized cost

Means to recognize the impairment loss at the current profit and loss with the book value and the future cash flows which is similar to the difference between the initial effective interest rate and present discounted value of the financial asset. When the amount of impairment loss decreases in subsequent periods, and that decrease can be connected to the matters occurred after recognition of net income or loss for current period objectively, then for impairment of the previous recognition should be in the condition of unrecognition with limited value of amortized cost at the net profit or loss of the current period for reversal on the reverse date. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Financial assets at cost

Means to recognize the impairment loss at the current profit and loss with the book value and the future cash flows which is similar to the difference between the current market return rate and present discounted value of the financial asset. Such impairment loss can't be reversed subsequently. The amount recognized as impairment loss means to adjust the book amount from the assets directly.

(C) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss in the current period. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The book value of the financial assets since December 31, 2017 according to IAS 39 has been switched to January 1, 2018 according to IFRS9 with the adjustment as follows:

	IAS39	Transferred to measured at fair values through other comprehensive income- equity	Measured on the basis of cost after amortization- equity	Translation adjustment of impairment loss	Translation adjustment of associate	IFRS9
Measured at fair values through other comprehensive income- equity	$ -	$ 314,178	$ -	$ -	$ -	$ 314,178
Measured on the basis of cost after amortization	-	-	3,000	-	-	3,000
Liability instrument investments for which no active market exists	3,000	-	(3,000)	-	-	-
At cost	30,710	(30,710)	-	-	-	-
Available-for-Sale Financial Assets	282,836	(282,836)	-	-	-	-
Bill receivable and payment (including the related party)	1,938,815	-	-	(27,803)	-	1,911,012
Deferred income tax assets	150,288	-	-	4,638	-	154,926
Investment under the equity method	815,036	-	-	-	(8)	815,028
	$ 3,220,685	$ 632	$ -	($ 23,165)	($ 8)	$ 3,198,144
Influence						
Other equity	$ -	$ 632	$ -	$ -	$ -	$ 632
Retained earnings	-	-	-	(23,165)	(8)	(23,173)
	$ -	$ 632	$ -	($ 23,165)	($ 8)	($ 22,541)

(1) The Group follows the regulation for the recognition of impairment loss according to IFRS 9, to increase the deferred income tax assets of NT$4,638, decrease accounts receivable of NT$16,410, bill receivable of NT$11,393, and investment of NT$84 with equity method and retained earnings of NT$23,249.
The Group invested in equity instrument in non-active market with NT$3,000 and based on the classification of IFRS 9 to increase the financial assets at amortized cost with NT$3,000.

(3) The Group classified the available-for-sale financial assets of NT$282,836 and the financial asset at cost of NT$30,710 based on IFRS 9, and increased the financial assets at fair value through other comprehensive income of NT$314,178, the investment with equity of NT$76, retained earnings of NT$76 and other equity of NT$632.

3. The explanation of the major accounting items for December 31, 2017 and the year of 2017 is as follows:

(1) Available-for-sale financial assets

	December 31, 2017
Pacgen Biopharmaceuticals Corp.	$ 13,992
momo.com Inc.	167,458
Evaluation adjustment	101,386
	$ 282,836

The Group recognized changes in fair value of NT$30,631 as other comprehensive income for the years ended December 31, 2017.

(2) Financial assets at cost

Investee	Ratio of Shareholding (%)	Book value December 31, 2017
Green Management International Co., Ltd.	4.73	$ 710
CDIB Capital Healthcare Ventures Ltd.	1.71	30,000
NEUROLOGIC, INC.	7.12	-
SynZyme Technologies,LLC	4.34	-
Herbal Science, LLC	4.00	-
		$ 30,710

The investment of The Group should be classified according to the intention as available-for-sale financial assets, however, since that object is not the public transaction in the active market, and can't obtain sufficient industry information of similar company as well as the relevant financial information of the invested company, therefore, it can't be measured reliably as fair value of those objects, thus being classified as "financial asset at cost."

4. The explanation of the credit risk information of December 31, 2017 and the year of 2017 is as follows:

(1) The credit risk means the risk of the financial loss caused by the unperformed contract obligations of the counter party due to the customer or financial instrument of The Group. Each operating individual in the group should analyze management and credit risk for each new customer based on the specified credit policy of The Group before setting payment, delivery terms and conditions The internal risk management is to evaluate the credit quality of the customer in consideration of the financial situation, previous experience and other factors. The limited amount of the individual risk is set by the board of director according to the internal or external rating and monitored with the use of the credit line regularly. The major credit risk comes from the cash and cash equivalents, derivative financial instruments and deposits put in the bank and financial institution, as well as the credit risk of the Wholesale and retail customers, the unpaid accounts receivable is also included.

(2) In the year of 2017, it did not exceed the credit line, and the management team doesn't expect that the major loss will come from the unperformed contract

obligation by the counter party.

(3) The information about the credit quality for the financial assets which are not overdue or not impairment loss.

	December 31, 2017		
	Group 1	Group 2	Group 3
Accounts receivable (including related party and non-related party)	$ 71,000	$ 627,612	$ 640,711
Bills receivable (including related party and non-related party)	32,807	200,205	346,956
Total	$ 103,807	$ 827,817	$ 987,667

Group 1: Means customers whom the animal medicine is sold to
Group 2: Means hospitals, clinics and pharmacies and such new customers.
Group 3: Means other customers.

(4) The aging analysis information about the financial assets which are overdue and yet not impairment loss:

	December 31, 2017
Accounts receivable (including related party and non-related party)	
1 to 180 days	$ 6,704
Over 181 days	825
	$ 7,529

(5) The analysis of the change in financial assets for impairment loss is as follows:
A. By December 31, 2017, the amount of the impairment loss accounts receivable of The Group is NT$118,117.
B. The table of change in allowance for doubtful accounts is as follows:

	2017		
	Impairment loss that is individually evaluated	Impairment under group assessment	Total
January 1	$ 6,106	$ 26,579	$ 32,685
The impairment loss recognized at the current period.	(389)	2,067	1,678
December 31	$ 5,717	$ 28,646	$ 34,363

(V) The information about influence of first-time adoption of International Financial Reporting Standards 15 and the information about adoption of International Accounting Standards 18 in 2017.

1. The explanation of the significant accounting policies adopted in 2017 is as follows:

Recognition of revenue

A. The Group manufactures and sells medicines and health relating products. Income means the net amount presentation for the fair value of received or consideration receivable for selling products to customers of The Group in the normal business activity, to deduct the business tax, sales return, quantity discount and discount. Merchandising is when the product is being sold to the buyer, the sales amount can be measured reliably, and the future economic effectiveness may be recognized as income while flowing to the enterprise. When the relevant significant risk and reward of the ownership has been transferred to the customer, The Group won't either join the management, nor maintain the effective control, and it means the customer accepts the goods according to the sales contract, or any objective evidence that shows all conditions have been met, the delivery of goods is firm.

B. The Group provides price discount for the products and estimates the deduction according to the historical experience to list the allowance for sales return when the sales is recognized.

C. The Group provides right of return for part of products, lists provision when the sales is recognized according to the estimation of historical experience.

2. The recognized income of The Group which is applicable to the above stated accounting policy in 2017 is as follows:

	2017	
Sales revenue	$	6,215,317
Labor revenue		29,490
	$	6,244,807

3. If the above stated accounting policy is still applicable to The Company on December 31, 2018, the influence value of the current balance sheet and single item of the statement of comprehensive income and the explanation is as follows:

		December 31, 2018			
Items of balance sheet	Remark	The recognized balance amount according to IFRS 15	The balance amount based on the original accounting policy	The influence value of change in accounting policy	
Contractual liability	Note 1	54,609	-		54,609
Sales revenue received in advance	„	-	54,609	(	54,609)
Refund liability	Note 2	47,585	-		47,585
Liability reserve-Current	”	-	47,585	(	47,585)

Note 1: The Company recognized the contractual liability of the sales contract according to the regulations of IFRS 15, which was represented as unearned receipts on the balance sheet reported in the past accounting period (listed as other current liquidity risk liabilities), is re-classified as contractual liability- liquidity.

Note 2: The estimation of sales return recognized as refund liability according to the regulations of IFRS 15, which was represented as provision- liquidity in the past accounting period, is re-classified as refund liability.

XIII. Notes of disclosure

(I) Information about important transactions

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.” The significant transaction matters of The Company in 2018 is as follows:

1. The Loaning of funds: please refer to Attachment 1.
2. Endorsement and Guarantee: please refer to Attachment 2.
3. Marketable securities held at yearend (excluding investments in subsidiaries, affiliated companies, and joint venture): please refer to Attachment 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
6. Disposition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
7. Purchase/sale amount of transactions with related parties reaching 100 million NTD or more than 20% of the paid-in capital: please refer to Attachment 4.
8. Amounts receivable from related parties totaling more than NTD100 million or 20% of paid up capital: please refer to Attachment 5.
9. Involved with the transaction of derivatives: Not applicable.
10. For the business relationship among the parent company/subsidiary and each subsidiary and the important transactions, please refer to Attachment 6.

(II) Information regarding investees

For the name, religion of the invested company…, such information (excluding the invested company in China), please refer to Attachment 7.

(III) Information regarding investment in the territory of mainland china

1. Basic information: Please refer to Attachment 8.
2. Significant transactions with investee companies in the Mainland China, either directly or indirectly through a third country: Not applicable.

XIV. Segment information

(I) General information

The management team of The Company has identified the reportable segments according to the information used in making decision by the board of director.

The board of director of The Group operates and evaluates the segments performance in view of the regional diversity.

(II) Evaluation of department information

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

(III) Segment information

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

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

2017	Taiwan	China	Adjust and eliminate	Total
External revenue	$ 4,513,871	$ 1,730,936	$ -	$ 6,244,807
Inter-segment income	1,423,240	-	(1,423,240)	-
Revenue of the reportable segments.	$ 5,937,111	$ 1,730,936	($ 1,423,240)	$ 6,244,807
Pre-tax profit/ loss of the segments before being adjusted	$ 260,810	$ 25,004	$ 876	$ 286,690
Investment profit or loss recognized according to the Equity Method	130,192	-	(50,819)	79,373
Pre-tax profit/ loss of the reportable segments	$ 391,002	$ 25,004	($ 49,943)	$ 366,063
Asset of the reportable segments.	$ 8,359,098	$ 1,917,465		$ 10,276,563
Profits or losses of the segments include:				
Depreciation and amortization	$ 189,360	$ 65,212		$ 254,572

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

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

(V) Information about the product sector and service sector

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

	2018		2017	
Manufacture and sales of the medicine and health products.	$	7,548,985	$	6,215,317
Others		31,251		29,490
	$	7,580,236	$	6,244,807

(VI) Information by areas

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

(VII) Information about important customers

The business revenue of each customer in 2018 and 2017 doesn’t reach 10% of the amount on the balance sheet, therefore, not applicable.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Funds to others

January 1 to December 31, 2018

Attachment 1

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	The lender of fund	The borrower of fund	Transaction title	Are they related parties	amount – current period (Note 2)	Balance, ending	The actual amounts disbursed	Interest rate collars	of financing (Note 3)	Amount of business transactions	necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary	Total limit of financing	Remarks
													Name	Value			
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	Other receivables	Y	$ 223,418	$ 323,446	$ 200,299	2.40%	1	$ 323,446	-	$ 30,045	Note 5	$ -	323,446	$ 1,701,167	Note 4
	Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical	Other receivables	Y	5,000	-	-	1.5-2.5%	2	-	Purchase of equipment	-	-	-	76,670	153,340	Note 4

Note 1: The filing method for the numbering of lending money by The Company and its subsidiary is as follows:

(1)Fill in 0 for the issuer.

(2)The investees are sequentially numbered from 1 and so forth.

Note 2: Maximum balance of financing a third party in current period.

Note 3: Below are the two filing methods for the nature of lending money

(1) With business dealings

(2) With necessity of short-term financing

Note 4: The maximum loan amount of The Company and its subsidiary to the individual firm is limited to 15% of the net value of The Company and its Subsidiary; the aggregate loan amount of The Company and its subsidiary is limited to 30% of the net value of The Company and its subsidiary.

Note 5: The full value guarantee will be provided by the Chairman of The Company

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Endorsements and guarantees made for others

January 1 to December 31, 2018

Attachment 2

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the	The ending balance of endorsements and/or guarantees	The actual expenditure Amount	The endorsements and/or guarantees secured with	Total endorsements and guarantees as a percentage of equity in the most recent financial statement	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation (Note 2)											
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	1	$ 1,701,167	$ 350,000	$ 321,000	$ 313,300	-	5.66%	$ 2,835,279	N	N	N	Notes 3 and 4

Note 1: The column for numbering is elaborated below:

(1)Fill in 0 for the issuer.

(2)The investees are sequentially numbered from 1 and so forth.

Note 2: The 6 types of relations between the endorsement/ guarantee provider and subject of endorsement/ guarantee are as follows. Indication of types is applicable.

(1)Business relation.

(2) Subsidiary owns over 50% of ordinary equity share with direct possession.

(3) The aggregation of the ordinary share possessed by The Company and its Subsidiary exceeds 50% by the investee.

(4) The Parent Company which possesses more than 50% of the ordinary equity share directly or through its Subsidiary with indirect possession.

(5) For building construction, The Company holds a mutual guarantee with other companies based on the peer agreement:

(6) Due to the joint investment relationship, shareholders are to provide endorsement and guarantee to the company proportionately to the respective shareholding ratio.

Note 3: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.

Note 4: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Marketable securities held at yearend (excluding investments in subsidiaries, associated companies, and joint ventures)

January 1 to December 31, 2018

Attachment 3

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Types of negotiable securities	Names of negotiable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending: Quantity	At ending: Book value	At ending: Ratio of Shareholding	At ending: Fair value	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Stock	PACGEN BIOPHARMACEUTICALS CORP.	-	Investment of equity instruments at fair value through other comprehensive income	238,050	13,992	0.37%	190	None
	〃	momo.com Inc.	-	Investment of equity instruments at fair value through other comprehensive income	1,300,000	179,284	0.92%	244,400	〃
	〃	Green Management International Co., Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	71,000	710	5.21%	1,130	〃
	〃	CDIB Capital Healthcare Ventures Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	3,000,000	30,000	1.71%	29,903	〃
	〃	NEUROLOGIC, INC.	-	Investment of equity instruments at fair value through other comprehensive income	857,067	-	7.12%	-	〃
	〃	SynZyme Technologies,LLC	-	Investment of equity instruments at fair value through other comprehensive income	462,900	-	4.34%	-	〃
				Evaluation adjustment	-	51,637		-	〃
						$ 275,623			
Tairung Development Co.,	Stock	China Chemical and Pharmaceutical Co., Ltd.	The Bank	Investment of equity instruments at fair value through other comprehensive income	827,883	28,057	0.28%	$ -	None
				Evaluation adjustment		(13,072)			
						$ 14,985			
Timpco International Co., Ltd.	Stock	Herbal Science, LLC	-	Investment of equity instruments at fair value through other comprehensive income	-	$ -	4.00%	$ -	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 39, “Financial Instruments: Recognition and Measurement.”

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Purchase from or sale to related parties for an amount exceeding NT$ 100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attachment 4

Unit: NTD thousand

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes and accounts receivable (payable)	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	Sale	$ 1,679,712	51.32%	The payment term is 150 days	Agreed by the quotation in the purchase agreement signed by both parties.	The payment term is 150 days.	$ 1,020,365	59.04%	
China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	The Chairman is the same person of The Company.	Sale	323,444	9.88%	The payment term is 240 days	Due to the unique sales item; no similar items for sales; the selling price is the import cost plus 4% ~ 10%	Due to the unique nature of The Company the usance of the bill should be longer than regular deals.	$ 421,681	24.40%	

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attachment 5

Unit: NTD thousand

(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		collected from related parties subsequently	Amount of provision for bad debts	Remarks
					Amount	Process			
China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	The Chairman is the same person of The Company.	421,681	0.78	$ 200,299	To obtain the proven guarantee from the chairman of The Company and take joint and several liability for the unpaid debts or bills.	$ 63,135	($ 63,272)	
	〃	〃	13,685	-	-	-	-	-	Note
	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	1,020,365	1.84	-	To collect overdue receivables pro-actively.	271,000	-	
	〃	〃	4,066	-	-	-	-	-	Note

Note: Means interest receivable, rent receivable and collection and payment transfer.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries.

January 1 to December 31, 2018

Attachment 6

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	Trader’s name	Counterparty	Affiliation to trader (Note 2)	Transactions: Title	Amount	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 3)
0	CCPC	Chunghwa Yuming Healthcare Co., Ltd.	1	Sale	$ 1,679,712	Note 4	22.29%
0	〃	〃	1	Accounts receivable	1,020,365	〃	9.48%

Note 1:The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

(1)Fill in “0” for parent company.

(2)Subsidiaries are numbered from number 1.

Note 2: There are three types of relationships with traders, please mark the type intended.

(1)Parent company vs. subsidiaries.

(2)Subsidiaries vs. parent company.

(3)Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: The selling price is agreed to by the quotation in the purchase agreement signed by both parties.The payment of the selling goods is 150 days.

Note 5: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.

Note 6: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.

Note 7: The significant matters between the parent company and subsidiaries have been written off.

Note 8: The amount of individual deal below NT$100,000 will not be disclosed.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The relevant information of names, area of location of the investees (excluding the investees in China)

January 1 to December 31, 2018

Attachment 7

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Proportion	Book value			
China Chemical & Pharmaceutical Co., Ltd.	Tairung Development Co., Ltd.	Taiwan	Manufacture and sales of glass, plastics made containers	$ 226,920	$ 226,920	4,376	71.64	$ 72,367	$ 627	$ 449	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Sino-Japan Chemical Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	37,474	37,474	318,216	21.99	411,882	203,890	44,827	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co., Ltd	Cayman Islands	Professional investment company	910,384	910,384	44,485,000	100.00	1,157,711	35,517	35,516	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Taiwan	Wholesale of medicine and medical equipment	547,600	547,600	29,590,000	100.00	422,095	24,442	23,970	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co.,Ltd	Taiwan	Manufacture and selling of the chemical materials	296,292	296,292	17,331,064	22.35	451,780	232,849	52,031	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Taiwan	Wholesale of medicine and medical equipment	324,400	324,400	5,000,000	100.00	524	(9,670)	(9,394)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	PHERMPEP CO., LTD.	Taiwan	Wholesale of biotechnology services and health products.	35,000	30,000	2,300,000	46.00	15,963	(9,442)	(5,286)	Evaluation of equity method
Chunghwa Holding Co., Ltd	Timpco International Co., Ltd.	Cook Islands	Professional investment company	801,701	801,701	16,436,500	100.00	1,157,480	35,657	0	Sub-subsidiary (Note 1)
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Taiwan	Manufacturer of cleaning products	16,000	11,600	1,600,000	80.00	7,824	(1,575)	0	Sub-subsidiary (Note 1)
Chunghwa Senior Care Co., Ltd.	Warm-Up Social Enterprise Co., Ltd.	Taiwan	Food wholesaler	1,530	-	-	38.25	934	(1,604)	0	Evaluation of equity method

Note 1: The Company does not recognize investment profit and loss directly.

Note 2: For the relevant information about the significant deals of the investees; please refer to the enclosed Table 1-6.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Basic information- Information of the investees in China

January 1 to December 31, 2018

Attachment 8

Unit: NTD thousand

(Except where otherwise stated)

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	remitted or recovered in current period: Outward remittance	remitted or recovered in current period: Recover	Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment Profit or Loss for Current Period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	$ 755,151	2	$ 768,672	$ -	$ -	$ 768,672	$ 37,799	100	$ 37,799	$ 1,157,100	$ 137,345	Note 2 (2)B
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	10,203	3	-	-	-	-	991	100	991	4,132	-	Note 2 (2)B and Note 3
Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	182,790	3	-	-	-	-	(10,402)	100	(10,402)	(7,136)	-	Note 2 (2)B and Note 4
Shanghai VisuScience Mediteh Co., Ltd.	Nutrition and health consulting service	113,737	3	-	-	-	-	(1,344)	30	(403)	32,190	-	Note 2 (2)A and Note 5
Shanghai Health Management Consulting Co., Ltd.	Maternal and child health service, sales of maternal and child products	-	3	-	-	-	-	-	-	-	-	-	Note 6

Company name	Accumulated investment from Taiwan to Mainland China at ending	Investment Board, Ministry of Economic Affairs Approved investment amount	Investment amount approved by the Investment Commission MOEAIC
Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD	$ 768,672	$ 769,143	$ 3,420,694

Note 1: There are three types of investments labeled by the respective number:

(1) Direct investment in Mainland China.

(2) Indirect investment in Mainland China through a third country (please specify the investment company in the third country)

(3)Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

Note 3: Direct investment with RMB$ 2,000,000 by Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD

Note 4: Means the purchase of 100% equity share of Pei Fung Trading (Shanghai) Company Ltd. in June 2016 was with the capital of RMB$ 1,797,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO.,LTD.

Note 5: Means the acquisition of 30% equity share of Shanghai Health Management Consulting Co., Ltd. was with RMB$ 7,200,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO., LTD.

Note 6: Means it was set by Shanghai Health Management Consulting Co., Ltd. with capital funds collected in January 2019.

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

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 individual financial position of China Chemical & Pharmaceutical Co., Ltd. as of December 31, 2018 and 2017, and the results of its operation and individual statement of 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 "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate 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. On the basis of my audit findings and the audit reports compiled by other certified public accountants, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the 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- estimation of sales return

Description of the matter

Some subsidiaries of China Chemical & Pharmaceutical Co., Ltd. recognize refund liability- the estimation of sales return is mainly based on the product selling history as benchmark. Since the refund liability-estimation of sales return is mainly based on the historical experience, the uncertainty of the relevant estimation is quite high, therefore, this is taken as one of the key audit items.

Audit response

The major audit procedure which the accountant has executed for some subsidiaries (account listed with investment of equity method) possessed by China Chemical and Pharmaceutical Co., Ltd. on estimated refund liability- estimation of sales return is as follows:

1. According to the understanding of the operation, industrial nature of the Company and the refund experience to evaluate the refund liability- reasonability of the policy for estimated Sales returns.
2. Sampling test of refund liability- the accuracy of the calculation for estimated Sales returns amount and expected returned ratio.
3. After the verification, write off the amount and receipt, examine the relevant supporting documents and evaluate if the returned period 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). For critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5(2).For other relevant disclosures, please refer to Note 6(3).

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.

<u>Audit response</u>

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. To confirm if the price used for net realizable value is corresponding to the company policy, and if the calculation of net realizable value of for individual inventory part number is correct with sampling test.
3. Obtaining details of outdated inventories identified by the management, reviewing relevant information, and verifying the accounting records.

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

The 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, 2017 and 2016, 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 China Chemical & Pharmaceutical Co., Ltd. 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 China Chemical & Pharmaceutical Co., Ltd. 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 China Chemical & Pharmaceutical Co., Ltd..

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

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

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

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

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

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the 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.
Individual Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Assets	Additional notes	December 31, 2018			December 31, 2017		
				Amount	%		Amount	%
	Current assets							
1100	Cash and cash equivalents	6 (1)	$	41,013	1	$	73,804	1
1150	Notes receivable-net	6 (2)		89,418	1		90,545	1
1160	Notes Receivable-Related Parties- net	7		131,447	1		158,535	2
1170	Notes accounts, net	6 (2)		193,488	2		216,074	2
1180	Account receivables-Related Parties- net	7		1,077,073	12		853,643	10
1200	Other receivables			25,070	-		26,255	-
1210	Other receivables - related parties	7		190,990	2		182,678	2
130X	Inventory	6(3)		1,081,083	12		794,545	9
1470	Other current assets			40,624	-		56,062	1
11XX	**Total current assets**			2,870,206	31		2,452,141	28
	Non-Current assets							
1517	The financial assets measured for the fair values through other comprehensive income- non-current	6 (4)		275,623	3		-	-
1523	Available-for-sale financial assets - non-current			-	-		282,836	3
1543	Financial assets measured at cost- non-current			-	-		30,710	-
1550	Investment under the equity method	6 (5)		2,527,931	27		2,528,494	29
1600	Property, plant, and equipment	6(6), 7 and 8		3,421,013	37		3,453,753	39
1780	Intangible assets			14,149	-		12,949	-
1840	Deferred income tax assets	6 (19)		103,514	1		78,772	1
1900	Other non-current assets			73,678	1		33,159	-
15XX	**Total of Non-Current Assets**			6,415,908	69		6,420,673	72
1XXX	**Total assets**		$	9,286,114	100	$	8,872,814	100

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.
Individual Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (7)	$ 916,001	10	$ 960,428	11
2130	Contractual liability- liquidity	6 (14)	1,499	-	-	-
2170	Accounts payable		319,549	4	217,262	3
2180	Accounts payable - related parties	7	30,873	-	18,331	-
2200	Other payables		221,120	2	186,097	2
2230	Current Tax Liability		59,312	1	22,092	-
2300	Other current liabilities		4,798	-	2,966	-
21XX	**Total current liabilities**		1,553,152	17	1,407,176	16
	Non-current liabilities					
2540	Long-term borrowings	6 (8)	1,828,000	20	1,679,000	19
2570	Deferred tax liabilities	6 (19)	105,654	1	93,020	1
2600	Other non-current liabilities	6 (9)	128,750	1	130,475	1
25XX	**Total of non-current liabilities**		2,062,404	22	1,902,495	21
2XXX	**Total liabilities**		3,615,556	39	3,309,671	37
	Equity					
	Capital stock	6 (10)				
3110	Common stock capital		2,980,811	32	2,980,811	34
	Capital surplus	6 (11)				
3200	Capital surplus		644,859	7	644,659	7
	Retained earnings	6 (12)				
3310	Legal reserve		459,993	5	428,920	5
3320	Special reserve		188,958	2	188,958	2
3350	Undistributed earnings		1,451,784	16	1,319,885	15
	Other equity	6 (13)				
3400	Other equity		(27,793)	(1)	27,964	-
3500	Treasury stock		(28,054)	-	(28,054)	-
3XXX	**Total equity**		5,670,558	61	5,563,143	63
	Significant contingent liabilities and unrecognized contractual commitments	6(6), 7 and 9				
	Significant subsequent events	6(12) and 11				
3X2X	**Total Liabilities and Equity**		$ 9,286,114	100	$ 8,872,814	100

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Chairman: Wang, Hsun-Sheng Manager: Wang, Hsun-Sheng Accounting Supervisor: Huang, I-Chun

China Chemical & Pharmaceutical Co., Ltd.
Individual Income Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(14) and 7	$ 3,273,028	100	$ 2,895,813	100
5000	**Operating cost**	6(3) (17) and 7	(2,462,946)	(75)	(2,266,947)	(78)
5900	**Gross profit**		810,082	25	628,866	22
5910	Unrealized sales gains		(79,776)	(2)	(72,688)	(3)
5920	Realized sales gains		72,688	2	110,005	4
5950	**Operating gross profit**		802,994	25	666,183	23
	Operating expenses	6 (17)				
6100	Marketing 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 impairment loss	12 (2)	(62)	-	-	-
6000	**Total operating expenses**		(519,866)	(16)	(455,465)	(16)
6900	**Operating profit**		283,128	9	210,718	7
	Non-operating revenues and expenses					
7010	Other income	6(15) and 7	38,099	1	37,433	1
7020	Other profits and losses	6 (16)	4,310	-	1,528	-
7050	Financial costs	6 (18)	(35,043)	(1)	(33,280)	(1)
7070	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	6 (5)	142,113	4	130,192	5
7000	**Total non-operating revenues and expenses**		149,479	4	135,873	5
7900	**Net profit before taxation**		432,607	13	346,591	12
7950	Income tax expenses	6 (19)	(62,737)	(2)	(35,852)	(1)
8200	**Net income**		$ 369,870	11	$ 310,739	11

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.
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	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive profit or loss (net)					
	The items that are not re-classified as profit or loss					
8311	Reevaluation of determined benefit plan	6 (9)	($ 17,168)	(1)	($ 8,837)	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6 (4)	(35,642)	(1)	-	-
8330	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(5,630)	-	10,012	-
8349	Incomes tax related to titles not subject to reclassification	6 (19)	5,340	-	1,502	-
8310	**Total amount of items not reclassified to profit or income**		(53,100)	(2)	2,677	-
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences from the translation of financial statements of foreign operations		(10,917)	-	(67,858)	(2)
8362	Unrealized valuation gains and losses of available-for-sale financial assets		-	-	30,631	1
8380	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.		(99)	-	211	-
8399	Income tax related to items possibly be reclassified	6 (19)	2,851	-	11,536	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		(8,165)	-	(25,480)	(1)
8300	**Other comprehensive profit or loss (net)**		($ 61,265)	(2)	($ 22,803)	(1)
8500	**Current period other comprehensive income (Gross)**		$ 308,605	9	$ 287,936	10
	Earnings per share	6 (20)				
9750	**Basic and diluted earnings per share**		$ 1.24		$ 1.05	

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
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China Chemical & Pharmaceutical Co., Ltd.
Individual Statements of Changes in Shareholders' Equity
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

			Capital surplus			Retained earnings			Other equity				
	Additional notes	Common stock capital	Issuance premium	Treasury stock trade	Changes in the ownership equity on a subsidiary	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Unrealized gain or loss on available-for-sale financial assets	Treasury stock	Total equity
2017													
Balance as of January 1, 2017		$ 2,980,811	$ 578,416	$ 64,580	$ -	$ 397,599	$ 188,958	$ 1,216,639	($ 542)	$ -	$ 53,986	($ 28,054)	$ 5,452,393
Net income		-	-	-	-	-	-	310,739	-	-	-	-	310,739
Current period other comprehensive income	6 (13)	-	-	-	-	-	-	2,677	(56,601)	-	31,121	-	(22,803)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	313,416	(56,601)	-	31,121	-	287,936
The 2016 appropriation and distribution of earnings	6 (12)												
Legal reserve		-	-	-	-	31,321	-	(31,321)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	355	-	-	-	-	-	-	-	-	355
Changes in the ownership equity on a subsidiary		-	-	-	1,308	-	-	-	-	-	-	-	1,308
Balance as of 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
2018													
Balance as of January 1, 2018		$ 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
Applicable influence value of modified retrospective approach		-	-	-	-	-	-	(23,173)	-	85,739	(85,107)	-	(22,541)
Balance on January, 1 after adjustment		2,980,811	578,416	64,935	1,308	428,920	188,958	1,296,712	(57,143)	85,739	-	(28,054)	5,540,602
Net income		-	-	-	-	-	-	369,870	-	-	-	-	369,870
Current period other comprehensive income	6 (13)	-	-	-	-	-	-	(19,614)	(8,165)	(33,486)	-	-	(61,265)
Current period other comprehensive income (Gross)		-	-	-	-	-	-	350,256	(8,165)	(33,486)	-	-	308,605
The 2017 appropriation and distribution of earnings	6 (12)												
Legal reserve		-	-	-	-	31,073	-	(31,073)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(178,849)	-	-	-	-	(178,849)
Cash dividends which Subsidiary obtained from the Parent company.		-	-	356	-	-	-	-	-	-	-	-	356
Changes in the ownership equity on a subsidiary		-	-	-	(156)	-	-	-	-	-	-	-	(156)
Equity instrument at fair value through other comprehensive income statement	6 (4)	-	-	-	-	-	-	14,738	-	(14,738)	-	-	-
Balance at 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

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Chunghwa Chemical Synthesis & Biotech Co., Ltd.
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China Chemical & Pharmaceutical Co., Ltd.
Individual Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from operating activities			
Current year net profit before taxation		$ 432,607	$ 346,591
Adjustments			
Profits and loss			
Realized gross profit		(72,688)	(110,005)
Unrealized gross profit		79,776	72,688
Depreciation expenses	6(6)(17)	166,090	171,335
Amortization expenses	6 (17)	3,553	2,890
The amount of expected impairment loss in credit (allowance for doubtful accounts listed in other incomes)	12 (2)(4)	62	(949)
Interest expenses	6 (18)	35,043	33,280
Interest revenue	6 (15)	(5,081)	(4,564)
Dividend income	6 (15)	(10,400)	(10,390)
Loss (gain) in disposal of real estate, plant buildings, equipment & facilities	6 (16)	(937)	(103)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)	(142,113)	(130,192)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Bills receivable (including related party and non-related party)		(20,680)	(7,588)
Accounts receivable (including related party and non-related party)		(173,631)	(53,862)
Inventory		(286,538)	(33,211)
Other receivables		1,557	119
Other receivables - related parties		(8,005)	15,842
Other current assets		15,438	(25,407)
Net changes in liabilities relating to operating activities			
Contractual liability- liquidity		1,499	-
Accounts payable including related party and non-related party)		114,829	(24,256)
Other payables (including related party and non-related party)		25,557	6,941
Liability reserve-Current		-	(20,000)
Other current liabilities		1,832	769
Net determined benefit liability		(17,314)	(43,264)
Cash inflow from operating activities		140,456	186,664
Interest received		5,760	4,234
Interest payment		(33,738)	(33,724)
Income tax payment		(25,912)	-
Collected income tax		-	3,202
Dividends received		128,109	121,658
Net cash inflow from operating activities		214,675	282,034

(Continued on next page)

China Chemical & Pharmaceutical Co., Ltd.
Individual Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from investing activities			
Decrease of accounts receivable financing		$ -	$ 2,090
Acquisition of financial assets at fair value through other comprehensive profit or loss		(24,554)	-
Value of disposal of financial assets measured at FVTOCI	6 (4)	27,466	-
Acquisition of investment under the equity method	7	(5,000)	(20,000)
Purchase of property, plant, and equipment	6 (21)	(158,359)	(115,585)
Disposal of property, plant and equipment		1,737	304
Purchase of intangible assets		(4,753)	(15,745)
Decrease (increase) in deposits paid		1,090	(705)
Increase of other non-current assets		(9,239)	(4,281)
Net cash outflow from investing activities		(171,612)	(153,922)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (22)	(44,427)	9,814
Current borrowing amount of long-term loan	6 (22)	847,000	555,000
Current repaying amount of long-term loan	6 (22)	(698,000)	(516,000)
Decrease (increase) in deposits received		(1,578)	241
Cash dividend released	6 (12)	(178,849)	(178,849)
Net cash outflow from financing activities		(75,854)	(129,794)
Current cash and cash equivalents decrease		(32,791)	(1,682)
Balance of cash and cash equivalents, beginning of period	6 (1)	73,804	75,486
Balance of cash and cash equivalent, end of period	6 (1)	$ 41,013	$ 73,804

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
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China Chemical & Pharmaceutical Co., Ltd.
Individual Notes to financial statements
2018 and 2017

Unit: NTD thousand
(Except where otherwise stated)

I. Organization and operations

(I) China Chemical and Pharmaceutical Co., Ltd. (hereinafter referred to as "The Company") was established in the Republic of China with the major business in manufacturing and selling pharmaceutical products and health products as well as import business of related medical appliances; commission construction company to build commercial buildings for rent and sale business.

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

II. Financial reporting date and procedures

These individual financial statements were authorized for issuance by the Board of Directors on March 11, 2019.

III. Application of new and revised standards and interpretation

(I) Effect of the adoption of new issuances of or amendments to International Financial ReportingStandards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The new publication, amendments, and revision of the 2018 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment"	January 1, 2018
Amendments to International Financial Reporting Standards No. 4 "The application of IFRS No. 9 'Financial Instruments' to IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial instruments"	January 1, 2018
Amendment to IFRS No. 15 "Income of Customer Contract"	January 1, 2018
Amendments to IFRS 15 "IFRS No. 15 "Income of Customer Contract"	January 1, 2018
IAS 7 Amendment "Disclosure Initiative"	January 1, 2017
IAS 12 Amendment "Recognition of unrealized losses of deferred income tax assets"	January 1, 2017
Amendments to IAS 40 "Investment real estate conversion"	January 1, 2018

IFRIC No. 22 "Foreign currency transactions and Advance consideration"	January 1, 2018
Improvements to 2014-2016 IFRS No. 1 "Adopting IFRS for the first time"	January 1, 2018
New releases / amendments / revisions of the Standards and Interpretations	International Accounting Standards BoardEffective Date
Improvements to 2014-2016 IFRS No. 12 "Disclosure of interests in other entities"	January 1, 2017
Improvements to 2014-2016 IAS No. 28 "Investment Affiliates and Joint Ventures"	January 1, 2018

Except for the following statements, the Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

1. IFRS 9 "Financial instruments"

    (1) The debt instrument of finance based on the operating mode of the enterprise and the judgment of cash flow characteristics can be categorized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost; the equity instrument of finance is categorized as fair value through profit or loss financial assets, unless the enterprise makes the irrevocable decision to recognize the fair value of equity instruments of non-trading purpose as other comprehensive income.

    (2) The impairment assessment of financial asset and liability instruments should be implemented with the "expected credit loss model" and assess whether the credit risk of such instruments is increasing significantly on each balance sheet date. Based on the expected credit loss for 12 months or the expected credit loss for the duration (the interest income before impairment occurred is estimated according to the total book value of the assets); or whether there has been an impairment loss occurred, the interest income after the impairment occurred should be estimated according to the book value net of the allowance for bad debt. The allowance for loss of the accounts receivable (excluding significant financial components) shall be measured according to the expected credit loss for the duration of the period.

    (3) Regarding the International Financial Reporting Standard 9 (hereinafter referred to as "IFRS 9"), The Company does not re-state prior period financial statements (hereinafter referred to as "modified retrospective approach"). Please refer to the description on (4)-2, Note 12 for the major influence on January 1, 2018.

2. Amendment to IFRS No. 15 "Income of Customer Contract" and related amendments

    (1) To replace the IAS 11- "Construction Contracts" and IAS 18- "Revenue" as well as the standard interpretations issued by IAS, with the IFRS 15-"Revenue from Contracts with Customers." According to the standards, the revenue should be recognized by the time the customer has the control of a good or service. When the customer has a right to direct the use of the asset and obtains almost all remaining benefits of the asset, that means the customer owns the control of a good or service.
    The core principle of the standard is "The enterprise should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for

those goods or services.” The enterprise should use the following five steps as the core principle to recognize revenue which is to decide the timing and amount for revenue recognition:

Step 1: Identify the contract with a customer.

Step 2: Identifying the performance obligations in the contracts.

Step 3: Determine the transaction price.

Step 4: Amortize transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligation is satisfied by the enterprise.

Besides, the standards also include the comprehensive disclosure guidelines for the enterprise to apply when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

(2) The Company adopted the expedient procedure in transition to IFRS 15 (hereinafter referred to as “modified retrospective approach”) that only the unfinished contracts on January 1, 2018 was retrospective with IFRS 15.

3. IAS 7 Amendment “Disclosure Initiative”

This modification asks the enterprise to increase the disclosure about (from) the change in liability of financial activities, including the change from cash or non-cash.

(II) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The new publication, amendments, and revision of the 2019 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
IFRS 23 "Handling of uncertain income tax"	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

Except for the following statements, the Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.

IFRS 16 “Leases”

The International Financial Reporting Standards No. 16 “Leases” supersedes IAS 17 “Leases” and the related explanations and explanative announcements. IFRS 16 “Leases” requires the lessee to recognize the right-to-use assets and lease liabilities (except for the lease period less than 12 months or low value assets lease); lessor accounting treatment is still the same, according to the two operating lease and finance leasing types of treatment with only the relevant disclosure requested.

The Company proceeds with the lease contract with the lessee based on IFRS 16 except for restating prior period financial statements (hereinafter referred to as "modified retrospective approach"), which was to increase the right-of-use asset as well as the lease liability respectively at NT$21,107 on January 1, 2019.

(III) IFRS issued by IASB but not yet endorsed by the FSC

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Modification of IAS 1 and IAS 8- "Disclosure initiative-Definition of materiality"	January 1, 2020
Amendment to IFRS 3 "Definition of business"	January 1, 2020
Amendment to IFRS 10 and IAS 28 "The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures"	To be determined by the "International Accounting Standards Board (IASB).
IFRS 17 "Insurance Contracts"	January 1, 2021

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

IV. Summary of significant accounting policies

Besides the compliance statement, draft basis and the additional explanation is as follows, the rest significant accounting policies is the same as Note 4 in attached financial report in 2017. These policies have been consistently applied to all the period presented, unless otherwise stated.

(I) Compliance Statement

This financial report is drafted according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following items, these statements have been prepared under the historical cost convention:
   (1) Financial assets at fair value through other comprehensive income / available-for-sale financial assets.
   (2) The defined benefit obligation are recognized according to the pension fund assets deducting the present value of the defined benefit obligation.
2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as "IFRS" hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is

required while using the Company’s accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.

3. The Company firstly adopted IFRS 9 and IFRS 15 on January 1, 2018 which was to change the recognition of the exchange difference to retained earnings and other benefits on January 1, 2018 with modified retrospective approach and not to re-state prior period financial statements and notes in the year of 2017. The draft of explanation for significant accounting policies and major accounting titles in 2017 is based on International Accounting Standards 39 (hereinafter referred to as “IAS 39”), International Accounting Standards 18 (hereinafter referred to as “IAS 18”) and the standard interpretations issued by IAS. Please refer to the explanation in (4) and (5), Note 12.

(III) Foreign-currency translations

The items in the Company’s individual financial report are measured in the currency (*i.e.* the functional currency) prevailing in the primary economic environment. The individual financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
   (4) All exchange gains and losses are reported in the “Other profits and losses” account of the comprehensive income statements.
2. Translation of the financial statements of foreign operations
   (1) The operating results and financial position of all the Group’s entities, affiliated enterprises and joint arrangements in the consolidated financial statements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
      A. Assets and liabilities presented in the balance sheet are translated at the closing exchange rates prevailing on the balance sheet date;
      B. Income and expenses presented in the Statement of Comprehensive Income are translated at the average exchange rates for the period; and
      C. All resulting exchange differences are recognized in other comprehensive income.
   (2) When a foreign operation for partial disposal or sale is an associate or joint arrangement, classifying the exchange difference of comprehensive income by portions as part of gain on sale or loss of the net income or loss for current period. Only when

The Company even remains partial equity of previous associate or joint arrangement but loses the significant influence on a foreign operation of an associate or loses the joint control over a joint arrangement of a foreign operation, the disposal will be full benefit of the foreign operation.

(3) When a foreign operation for partial disposal or sale is subsidiary, categorizing as the accumulated exchange difference of comprehensive income by portion for recognition which belongs to the non-controlling interests of that foreign operation. Only when The Company even retains partial equity of a previous subsidiary but loses the control of the subsidiary of the foreign operation, the disposal will be full benefit of the foreign operations.

(IV) Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:
   (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
   (2) Held mainly for the purpose of trading.
   (3) Assets that are expected to be realized within twelve months from the balance sheet date.
   (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

   The Company classifies assets that do not meet any of the above criteria as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be paid off within the normal operating cycle.
   (2) Held mainly for the purpose of trading.
   (3) Expected to be repaid within 12 months of the balance sheet date
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   The Company classifies liabilities that do not meet any of the above criteria as non-current assets.

(V) Cash equivalents

Cash equivalents are investments that are for short-term investing with high liquidity. That investment can be exchanged to a fixed amount of money and the risk of value change is really low. The certificate of deposit corresponds to the previous definition and the purpose is to meet the acceptor for short-term cash of operation, classifying as cash equivalents.

(VI) Financial assets at fair value through other comprehensive profit or loss

Applicable in 2018

1. Means the initial recognition is an irrevocable decision, to recognize changes in fair value for equity instrument of not held for trading as other comprehensive income.
2. The Company adopts trade date accounting for financial assets at fair value through other comprehensive income which are in correspondence with trade practice.
3. On initial recognition, The Company recognized transaction costs plus the fair value for

measurement, and subsequently measured with fair value:

If the change in fair value of equity instrument is recognized as other comprehensive income, while being derecognized, the previous accumulated profits or losses which were recognized in other comprehensive income cannot subsequently be re-classifying to profit and loss, that is to list under retained earnings. When the equity to obtain dividends is claimed, the economic benefits relating to the dividends may inflow, and if the amount of dividend can be measured reliably, The Company will recognize dividend in income.

(VII) Accounts receivable and notes

1. Means according to the agreement, with the right to collect the equity consideration and bills in exchange for those goods or services on any other terms and conditions.
2. Due to the limited influence of discounting , The Company measures the initial invoice amount for any short-term accounts receivable and bills of unpaid interests.

(VIII) Impairment of Financial Assets

Applicable in 2018

The Company measures allowance for loss according to the expected credit loss amount for 12-month after considering all reasonable and provable information (including forward-looking one) for financial assets at amortized cost and accounts receivable with significant financing components on each balance sheet date; for credit risk significantly increases after the initial recognition, measures allowance for loss according to expected credit loss within duration; for accounts receivable without significant financing component, measures allowance for loss according to expected credit loss within duration.

(IX) The de-recognition of financial assets

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

(X) Operating lease (lessor)

Any incentives for lessee after deducting the leasehold income of operating lease, are recognized as net income or loss of current period according to the straight-line method for amortization during the lease term.

(XI) Inventory

The inventory is measured by the lower one between cost and net realizable value, the carry-over cost is calculated according to weighted average method. The costs of finished goods and work in process include material, direct labor, other direct costs and manufacturing cost relating to production (allocated based on normal capacity), however, the borrowing costs is excluded. The item by item method is adopted while comparing the lower one between cost and net realizable value, the net realizable value means the balance of estimated selling price deducts the estimated cost and relevant variable cost of sales.

(XII) Investment accounted for under the equity method/ subsidiaries and associates

1. The subsidiaries of the Company refers to the business entities (including the structured business entity) controlled by the Company. When the Company is exposed to the variable return of the subsidiary or is entitled to such variable return; also, when the Company can influence such variable return through the power over the subsidiary, the

Company controls the subsidiary.

2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses *pro rata* to the shareholder percentages.
4. The term "associates" as set forth herein refers to the entities upon which the Company holds significant effect but holds no controlling power, normally as the shares of more than 20% of the voting power held by the Company either directly or indirectly. Over the investment in associates, the Company adopts equity method, recognizing them at cost at the moment of acquisition.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
6. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Company will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Company.
8. When the Company disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Company loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
9. As expressly provided for in "Regulations Governing the Preparation of Financial Reports by Securities Issuers": The profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only

financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XIII) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Property, plant and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant and equipment are significant, it is depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. Useful lives of assets are as follows:

Buildings and structures	20 years ~ 60 years
Machinery equipment	5 years ~ 15 years
Transport equipment	3 years ~ 6 years
Other equipment	3 years ~ 15 years

(XIV) Intangible assets

The computer software uses acquisition cost as the accrual basis with straight-line method for amortization to evaluate the economic life, which gets the useful life at five years.

(XV) Losses in non-financial asset

The company estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(XVI) Loans

The borrowing is measured by the amount which is recognized initially as the fair value deducts the transaction costs, and subsequently to measure the price after deducting transaction costs and any difference of redemption value with effective interest method based on the amortized cost during the borrowing term.

(XVII) Account and note payables

1. Means the debt due to buy on credit for raw materials, goods or service and the bills payable resulted from operating or non-operating.
2. Due to the limited influence of discounting, the group measures the initial invoice amount for any short-term accounts payable and bills of unpaid interests.

(XVIII) De-recognition of financial liabilities

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

(XIX) Financial guarantee contract

For a financial guarantee contract, when a specific debtor is unable to repay the debt at maturity in accordance with the original or modified debt instrument terms, the Company must pay certain benefits to reimburse the contract holder for the loss incurred. Measured with the transaction cost adjusted by the fair value of the trade date for initial recognition, and subsequently to measure the higher one between the best estimation of expenditure needed to clean up the present obligation according to the date of balance sheet and the balance of the initial recognized amount deducts the accumulated amortization which has been recognized.

(XX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the discounted amount of the benefits expected to be paid in respect of service rendered by employees and are recognized as expenses in the period when the employees render service.

2. Pension

   (1) Defined contribution plan
   The defined contribution plans are to recognize the pension fund to be contributed as the net periodic pension cost for current period according to the accrual basis. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.

   (2) Defined benefit plan

   A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated by the actuary with projected unit credit method, the discount rate uses the date of balance sheet and the currency for defined benefit as well as the market yield of government bonds (on the date of balance sheet) with consistent period.
   B. The revaluation amount of the defined benefit plan is recognized upon occurrence in the “Other comprehensive profit and loss” and included in the retained earnings.
   C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Termination benefits

Resignation benefit refers to the benefit for the employee who is terminated from employment before the normal retirement date or who has decides to accept termination of employment in exchange for the benefit. The Company has resignation benefit recognized as expense when the invitation of resignation benefit can no longer be withdrawn or recognizing the related restructuring expense whichever is sooner. The benefit that is not expected to be liquidated within 12 months after the balance sheet date should be discounted.

4. Employee compensation and remuneration to directors and supervisors

Employee compensation and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. For employee bonus with stocks, the basis to calculate the stock is the closing price of the day prior to the resolution of the board meeting.

(XXI) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax liabilities caused by the goodwill originated from the initial recognition will not be recognized. If the deferred income tax originates from the initial recognition for assets or liabilities of transactions (excluding business combination), and the transactions do not affect the accounting profit or taxable profit at that time(tax loss), then not to recognize. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax

assets are reassessed.

5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Treasury stock

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

(XXIII) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(XXIV) Recognition of revenue

Applicable in 2018

Merchandising- retail

1. The Company manufactures and possesses the agency for selling medical products and the sales revenue is recognized when the control of products has been transferred to the customer, which means that the product has been delivered to the customer. The customer owns the discretionary power for the channel and price of the products and The Company doesn’t have any executory performance obligation that may affect the time for the customer to accept products. When the product is being delivered to the designated place, the risk of obsolescence and loss will be transferred to the customer, besides, when the customer accepts the product according to the sales contract, or any objective evidence which can prove all acceptance criteria have been met, the delivery of goods is firm.
2. The accounts receivable is recognized when the goods are delivered to the customer, since by that time, The Company holds unconditional right for the contract price, the consideration can be charged to the customer as time goes by.

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

The preparation of these financial statements requires management to make critical judgments in applying the Company’s accounting policies and make critical assumptions and estimates based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such estimation and assumption contain risk of being significantly adjusted for the carrying amount of asset or liabilities in the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(I) Critical judgments concerning the application of accounting policies

none.

(II) Critical accounting estimates and assumptions

Evaluation on inventory

Since inventory shall be measured on the basis of the lower the cost and net realizable value, the Company must determine the net realizable value of inventory of the Balance Sheet date with judgment or estimation. Due to the rapid changes in technology, the Company assesses the amount of inventory normal wear and tear, obsolescence, or poor marketability of the Balance Sheet date; also, has the inventory cost offset till it is equivalent to the net realizable value. This inventory evaluation is mainly based on the future demand for a specific period of time; therefore, a significant change is expected.

Please refer to Note 6 (3) for the carrying amount of the inventory in The Company on December 31, 2018.

VI. Summary of significant accounting titles

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,719	$ 1,994
Check deposits	26,161	44,976
Current deposits	13,133	26,834
	$ 41,013	$ 73,804

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Company's cash and cash equivalents pledged to others as collateral.

(II) Note receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 90,039	$ 90,636
Less: Allowance for losses	(621)	(91)
	$ 89,418	$ 90,545
Accounts receivable	$ 196,208	$ 217,184
Less: Allowance for losses	(2,720)	(1,110)
	$ 193,488	$ 216,074

1. The aging analysis of accounts receivable and bill receivable is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Within 30 days	$ 194,830	$ 90,039	$ 211,014	$ 90,636
31 to 90 days	-	-	3,367	-
91 to 180 days	1,219	-	1,919	-
Over 181 days	159	-	884	-
	$ 196,208	$ 90,039	$ 217,184	$ 90,636

The aforementioned aging analysis is based on the overdue days.

2. The exposure amounts of the maximum credit risk which can represent the accounts receivable and bill receivable of The Company without considering the possessed collateral or other credit enhancement condition on December 31, 2018 and 2017 are respecitvely NT$282,906 and NT$306,619.
3. The accounts receivable in the account list of The Company does not possess any collateral.
4. Please find Note 12, (2) for the relevant explanation about credit risk.

(III) Inventory

December 31, 2018

	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 658,918	($ 2,341)	$ 656,577
Material	107,385	(305)	107,080
Work in process	217,958	(4,322)	213,636
Finished products	90,919	(599)	90,320
Merchandise inventory	32,780	(19,310)	13,470
	$ 1,107,960	($ 26,877)	$ 1,081,083

December 31, 2017

	Cost	Allowance for loss from price declination	Book value
Raw materials	$ 416,364	($ 479)	$ 415,885
Material	80,340	-	80,340
Work in process	209,336	(2,489)	206,847
Finished products	85,369	(690)	84,679
Merchandise inventory	6,794	-	6,794
	$ 798,203	($ 3,658)	$ 794,545

The cost of inventory recognized as expense of The Company 2018 and 2017:

	2018		2017	
Cost of inventory sold	$	2,435,411	$	2,252,529
Loss of price decline of inventory and obsolescence loss		27,535		14,418
	$	2,462,946		2,266,947

(IV) Financial assets at fair value through other comprehensive profit or loss

Item	December 31, 2018	
Non-current items:		
Equity instruments		
Listed stocks	$	193,276
Non-listed shares, emerging stocks		30,710
		223,986
Evaluation adjustment		51,637
	$	275,623

1. The Company decides to classify the stock of strategic as investment financial assets at fair value through other comprehensive income and the fair value of that investment on December 31, 2018 is NT$275,623.
2. The fair value of sale of The Company in 2018 is NT$27,466 for stock investment and the accumulated gain on disposal is NT$14,738.
3. The details of financial assets at fair value through other comprehensive income which recognized in income and comprehensive income are as follows:

Item	2018	
Equity measured at fair value through other comprehensive income		
Recognized in comprehensive income of changes in fair value.	($	35,642)
The accumulated profits change to retained earnings due to de-recognition.	$	14,738
Recognized as dividend in income in profit.		
The party still in possession at the end of this term.	$	10,400

4. Please find the details in Note 12, (4) for the information in 2017.

(V) Investment under the equity method

	December 31, 2018	December 31, 2017
Subsidiaries:		
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	$ 422,095	$ 465,373
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	524	9,878
Chunghwa Holding Co.,Ltd (Chunghwa Holding)	1,157,711	1,155,440
Tairung Development Co., Ltd. (Tairung Development)	72,367	71,837
PHERMPEP CO., LTD. (PHERMPEP)	-	15,321

	December 31, 2018	December 31, 2017
Affiliate business:		
Chunghwa Chemical Synthesis and Biotech Co., Ltd, (CCSB)	451,780	406,871
Chunghwa Chemical Synthesis and Biotech Co., Ltd, (CCSB)	411,882	408,165
PHERMPEP CO., LTD. (PHERMPEP)	15,963	-
	2,532,322	2,532,885
Less: Change recognition to treasury shares- possessed by the subsidiary. Stock of The Company	(4,391)	(4,391)
	$ 2,527,931	$ 2,528,494

1. Subsidiary

   For more details of the information of the subsidiaries, please refer to Note 4 (3) of the Company's Consolidated Financial Report, 2018.

2. Affiliate business

   (1) The basic information of the important associate is as follows:

Company name	Major places of business	Ratio of Shareholding December 31, 2018	Ratio of Shareholding December 31, 2017	Nature of relationship	Measuring method
CCSB	Taiwan	22.35%	22.35%	Affiliate business	Equity method
PHERMPEP CO., LTD.	Taiwan	46.00%	60.00%	Affiliate business	Equity method

(2) Financial information of the Company’s major associates is summarized as follows:

Balance Sheet

	CCSB			
	December 31, 2018		December 31, 2017	
Current assets	$	613,794	$	1,027,116
Non-Current assets		2,607,624		2,420,809
Current liabilities	(	425,690)	(	808,308)
Non-current liabilities	(	811,825)	(	818,396)
Total net assets	$	1,983,903	$	1,821,221
Book value of the associate	$	451,780	$	406,871

	SINO-JAPAN CHEMICAL., CO., LTD			
	December 31, 2018		December 31, 2017	
Current assets	$	1,862,950	$	1,945,195
Non-Current assets		521,339		454,179
Current liabilities	(	348,549)	(	364,672)
Non-current liabilities	(	162,406)	(	178,276)
Total net assets	$	1,873,334	$	1,856,426
Book value of the associate	$	411,882	$	408,165

	PHERMPEP CO., LTD.			
	December 31, 2018		December 31, 2017	
Current assets	$	34,795	$	19,409
Non-Current assets		9,233		11,881
Current liabilities	(	6,392)	(	4,207)
Non-current liabilities		-		-
Total net assets	$	37,636	$	27,083
Book value of the associate	$	15,963	$	15,321

Comprehensive income statement

	CCSB			
	2018		2017	
Income	$	1,019,452	$	1,168,248
Current year profit of continuing business units	$	234,288	$	85,891
Other comprehensive income (post-tax profit or loss)	(	32,585)		2,943
Current period other comprehensive income (Gross)	$	201,703	$	88,834

	SINO-JAPAN CHEMICAL., CO., LTD	
	2018	2017
Income	$ 2,815,316	$ 2,788,894
Current year profit of continuing business units	$ 203,890	$ 273,839
Other comprehensive income (post-tax profit or loss)	9,049	10,864
Current period other comprehensive income (Gross)	$ 212,939	$ 284,703

	PHERMPEP CO., LTD.	
	2018	2017
Income	$ 20,756	$ 19,050
Current net losses from continuing operations	($ 9,442)	($ 11,136)
Other comprehensive income (post-tax profit or loss)	-	-
Current period other comprehensive income (Gross)	($ 9,442)	($ 11,136)

3. Share of the income from subsidiaries and associates

Name of affiliated enterprises	2018	2017
Chunghwa Yuming Healthcare Co., Ltd.	$ 23,970	$ 47,538
Chunghwa Senior Care Co., Ltd.	(9,394)	(9,842)
Chunghwa Holding	35,516	19,269
Tairung Development Co., Ltd.	449	(146)
PHERMPEP CO., LTD.	(5,286)	(6,000)
CCSB	52,031	19,165
SINO-JAPAN CHEMICAL., CO., LTD	44,827	60,208
	$ 142,113	$ 130,192

4. Phermpep Co., Ltd. made cash capital increase with NT$20,000 in October 2018 and The Company made a capital increase with NT$5,000. Since the capital increase did not follow the shareholding ratio, The Company has re-recognized the investment with equity method for the fair value of the day.
5. The investment made by The Company to CCSB is with public offer and the fair values on December 31, 2018 and 2017 are, respectively, NT$395,148 and NT$422,878.

(VI) Property, plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 2018							
Cost	$ 879,541	$ 2,944,352	$ 807,947	$ 15,454	$ 48,808	$ 478,349	$ 5,174,451
Accumulated depreciation	-	(1,071,665)	(319,590)	(9,760)	-	(319,683)	(1,720,698)
	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753
2018							
January 1	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753
Additions	-	6,221	33,823	2,719	80,360	16,211	139,334
The current transfer	-	14,093	10,568	-	(27,015)	2,354	-
Disposition	-	-	-	(800)	-	-	(800)
Reclassification	-	-	-	-	-	(5,184)	(5,184)
Depreciation expenses	-	(77,910)	(49,521)	(1,733)	-	(36,926)	(166,090)
December 31	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013
December 31, 2018							
Cost	$ 879,541	$ 2,964,028	$ 835,852	$ 16,801	$ 102,153	$ 484,298	$ 5,282,673
Accumulated depreciation	-	(1,148,937)	(352,625)	(10,921)	-	(349,177)	(1,861,660)
	$ 879,541	$ 1,815,091	$ 483,227	$ 5,880	$ 102,153	$ 135,121	$ 3,421,013

	Land	Buildings and structures	Machinery equipment	Transport equipment	Uncompleted construction and equipment pending inspection	Others	Total
January 1, 106							
Cost	$ 879,541	$ 2,918,382	$ 789,508	$ 15,030	$ 39,843	$ 460,389	$ 5,102,693
Accumulated depreciation	-	(994,492)	(280,283)	(7,708)	-	(281,483)	(1,563,966)
	$ 879,541	$ 1,923,890	$ 509,225	$ 7,322	$ 39,843	$ 178,906	$ 3,538,727
2017							
January 1	$ 879,541	$ 1,923,890	$ 509,225	$ 7,322	$ 39,843	$ 178,906	$ 3,538,727
Additions	-	6,559	25,562	424	36,812	17,205	86,562
The current transfer	-	19,411	5,455	-	(27,847)	2,981	-
Disposition	-	-	(201)	-	-	-	(201)
Depreciation expenses	-	(77,173)	(51,684)	(2,052)	-	(40,426)	(171,335)
December 31	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753
December 31, 2017							
Cost	$ 879,541	$ 2,944,352	$ 807,947	$ 15,454	$ 48,808	$ 478,349	$ 5,174,451
Accumulated depreciation	-	(1,071,665)	(319,590)	(9,760)	-	(319,683)	(1,720,698)
	$ 879,541	$ 1,872,687	$ 488,357	$ 5,694	$ 48,808	$ 158,666	$ 3,453,753

1. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.
2. The Company rented the land of No. 23, Xiangyang Rd., Taipei City from Jen-Chi Relief Institution, the lease term is from January 1, 2015 to December 31, 2019 with the rental of NT$259 paid by the month. If the contract is ending and won’t be renewed, the buildings on the land for rent should be demolished and returned on any terms and conditions. Until December 31, 2018, the balance amount that hasn’t been reduced is NT$34,429.

(VII) Shot-term borrowings

	December 31, 2018	December 31, 2017
Financial institution loan		
Secured loans	$ 330,000	$ 383,000
Credit loan	465,000	455,000
Material procurement loan	109,173	110,619
Non-financial institution loan	11,828	11,809
	$ 916,001	$ 960,428
Interest rate collars	1.03%~1.15%	1.03%~1.12%

By December 31, 2018 and 2017, besides the short-term loan amount as stated in Note 8, The Company has issued cashier's checks respectively with NT$550,000 and NT$550,000 as collateral.

(VIII) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured loans	$ 618,000	$ 608,000
Credit loan	1,210,000	1,071,000
	$ 1,828,000	$ 1,679,000
Interest rate collars	1.1%~1.65%	1.23%~1.65%

1. The re-payment term for unsecured loan and secured loan will be due from 2020 to 2021.
2. The details of the undrawn loan amount of The Company are as follows:

	December 31, 2018	December 31, 2017
Floating annual rate		
Maturing in one year or less	$ 1,971,560	$ 1,614,000
Mature beyond one year	62,000	161,000
	$ 2,033,560	$ 1,775,000

By December 31, 2018 and 2017, the cashier's checks have been issued, respectively, with NT$1,620,000 and NT$1,260,000 as collateral for the long-term loan amounts as stated.

3. Please refer to Note 8 for description of collateral.

(IX) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services

within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 2% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

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

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	($ 366,710)	($ 343,267)
The fair value of plan assets	243,060	219,471
Net defined benefit liability (listing as non-liquidity liability)	($ 123,650)	($ 123,796)

(3) The changes in net defined benefit liabilities are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
2018			
Balance at January 1	($ 343,267)	$ 219,471	($ 123,796)
Current service cost	(3,964)	-	(3,964)
Interest expenses (income)	(3,673)	2,348	(1,325)
	(350,904)	221,819	(129,085)
Revaluation amount:			
Assumption of change in Influence value for demography.	307	-	307
The effect of changes in financial assumptions	(5,310)	-	(5,310)
Experience adjustments	(18,683)	6,518	(12,165)
	(23,686)	6,518	(17,168)
The appropriation of pension fund	-	22,603	22,603
Pension payments	7,880	(7,880)	-
Balance at December 31	($ 366,710)	$ 243,060	($ 123,650)

2017	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
Balance at January 1	($ 344,365)	$ 186,141	($ 158,224)
Current service cost	(4,509)	2,234	(2,275)
Interest expenses (income)	(4,132)	-	(4,132)
	(353,006)	188,375	(164,631)
Revaluation amount:			
Assumption of change in Influence value for demography.	(995)	-	(995)
The effect of changes in financial assumptions	(2,562)	-	(2,562)
Experience adjustments	(4,570)	(710)	(5,280)
	(8,127)	(710)	(8,837)
The appropriation of pension fund	-	49,672	49,672
Pension payments	17,866	(17,866)	-
Balance at December 31	($ 343,267)	$ 219,471	($ 123,796)

(4) The fund assets for defined benefit plan of The Company are with entrusted management by Bank of Taiwan based on the investment program of the year to set the proportion of commission items and scope of amount, and in accordance with the items in Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which means deposit in the financial institutions domestically and overseas, investment in the equity securities and real estate securitization products of public, public listed and private companies), the relevant operation is supervised by Labor Pension Fund Supervisory Committee. For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. Please refer to the "Annual Labor Pension Fund Implementation Report" published by the government for the fair value of the total fund assets on December 31, 2018 and 2017.

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

	2018	2017
Discounted rate	0.78%	1.07%
Future salary increases rate	1.00%	1.00%

The assumption of future mortality rate is according to Taiwan Standard Ordinary Experience Mortality Tables 2012

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 8,942)	$ 13,492	$ 13,338	($ 8,965)
December 31, 2017				
The impact on the present value of the defined benefit obligations	($ 9,562)	$ 10,600	$ 10,552	($ 9,614)

The sensitivity analysis referred to above is based on the impact of the changes in one single hypothesis while other assumptions remain unchanged. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

The methods and assumptions used in the preparation of the sensitivity analysis are same as those used in the prior period.

(6) The Company has appropriated $22,603 to the pension plan in 2018.

(7) As of December 31, 2018, the weighted average duration of the pension plan was for 4 years.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the “Labor Pension Act” for the employees of Taiwan nationality since July 1, 2005. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the “Labor Pension Act” covering all regular employees. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to an employee’s individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee’s individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) For financial year 2018 and 2017, the net pension cost recorded by the company according to the above mentioned pension plans are NT$18,304 and NT$18,953 respectively.

(X) Capital stock

1. As of December 31, 2013, the Company's authorized capital was NT$3,000,000, consisting of 298,081 thousand shares and the Company's paid-up capital was NT$2,980,811 with a par value of $10 per share.
2. The number initial and ending outstanding shares of The Company in 2018 and 2017 is 298,081,000.
3. Tairung Development Co., Ltd. possessed 828,000 shares of The Company by December 31, 2018 and 2017with book value both at NT$33.89 and the fair value of each share are, respectively, NT$18.10 and NT$18.20.
4. The shares possessed by the associate of The Company by December 31, 2018 and 2017 are, respectively, 17,892,000 and 5,028,000

(XI) Capital surplus

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. According to the Securities Transactions Act and its related rules, where capital reserve is applied to supplement capital as above, the total amount cannot exceed 10% of the paid up capital. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(XII) Retained earnings

1. According to the Articles of Incorporation of The Company, the dividends policy is planned in consideration of the future capital requirements and long-term financial arrangement and to meet the requirement of cash inflow by the shareholders, if there are any earnings in the general annual report, the tax should be paid firstly and make up for the previous annual losses, then allocate 10% as legal reserve and special reserve based on the regulations, if any earnings are still available, accumulated with the undistributed earnings from the previous year as profit available for distribution, to reserve according to the sales with discretion, and allocate bonus to shareholders, of which cash dividend shall not be less than 50% of the shareholder bonus and if the cash dividend is less than NT$0.1, the stock dividend will be issued instead.
2. Legal earnings reserves can only be applied to offset company losses or issue new shares or cash according to the original shareholding ratio, and nothing else. When it is applied to new share or cash issues, the reserve shall be exceeding 25% of the paid-up capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance of other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When firstly adopted IFRSs, the Financial Supervisory Commission (FSC) issued Jin-Guan-Zheng-FA-Zi No. 1010012865. On April 6, 2012, which The Company adopts hereafter to implement, disposal or reclassification of relevant assets, reversal by the proportion of the special earned surplus as recognized initially. If the previously stated relevant assets are investment real properties, reversal with

disposal or reclassification for those classified as land, for those except for land, reverse gradually while being in use.

4. Upon the resolution made by the shareholders on May 29, 2018 and May 26, 2017, the disposition of earnings of The Company for 2017 and 2016 are as follows:

	2017		2016	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal reserve	$ 31,073	-	$ 31,321	-
Cash dividends	178,849	0.6	178,849	0.6
	$ 209,922		$ 210,170	

The relevant information about the disposition of earnings as above stated which proposed by the Board of Directors and decided by the shareholders can be inquired on the "Market observation post system" of Taiwan Stock Exchange Corporation.

5. The Board of Directors proposed in their meeting on March 11, 2019 to appropriate the 2019 earnings as follows:

	2018	
	Amount	Dividends per share ($)
Legal reserve	$ 36,987	-
Cash dividends	238,465	0.8
	$ 275,452	

6. Please refer to Note 6 (17) for the information of remuneration to employees and directors.

(XIII) Other equity

	Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1, 2018	$ 85,107	($ 57,143)	$ 27,964
- Translation adjustment which is applicable for new criterion	632	-	632
IFRS 9 on January 1, 2018	85,739	(57,143)	28,596
-The Company	(35,642)	(8,066)	(43,708)
-Subsidiary and associate	2,156	(99)	2,057
-Valuation adjustment changes to retained earnings	(14,738)	-	(14,738)
December 31, 2018	$ 37,515	($ 65,308)	($ 27,793)

	Unrealized loss of profit valuation	Foreign-currency translations	Total
January 1, 106	$ 53,986	($ 542)	$ 53,444
-The Company	30,631	(56,322)	(25,691)
-Subsidiary and associate	490	(279)	211
December 31, 2017	$ 85,107	($ 57,143)	$ 27,964

(XIV) Operating revenue

	2018
Revenue from sales contract	$ 3,273,028

1. Subdivision of the revenue from contracts with customers

For the revenue of The Company originated from the products being transferred at a certain time, the revenue can be sub-divided to the following regions:

2018	Taiwan region	China and other regions	Total
Revenue from sales contract	$ 2,959,612	$ 313,416	$ 3,273,028

2. Contractual liability

The relevant contractual liability recognized as the contract with a customer is as follows:

	December 31, 2018
Contractual liability- Sales contract of medicine	$ 1,499

3. Please find Note 12, (5)2 for the relevant disclosured details for the business revenue in 2017.

(XV) Other income

	2018	2017
Interest revenue		
Interest from bank deposits	$ 36	$ 20
Other interest incomes	5,045	4,544
Sum of interest revenue	5,081	4,564
Dividend income	10,400	10,390
Sundry income	22,618	22,479
	$ 38,099	$ 37,433

(XVI) Other profits and losses

	2018	2017
Gain in disposal of real estate, plant buildings, equipment & facilities	$ 937	$ 103
Net foreign exchange profit	3,430	1,429
Other losses	(57)	(4)
	$ 4,310	$ 1,528

(XVII) Employees' welfare and depreciation, amortization expenses

Functionality / Characteristics	2018 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 280,440	$ 234,383	$ 514,823
Labor insurance and national health insurance	25,999	18,722	44,721
Pension expenses	11,799	11,794	23,593
Remuneration to Directors	-	5,852	5,852
Other employee benefits expenses	11,007	14,575	25,582
Depreciation expenses	119,397	46,693	166,090
Amortization expenses	1,686	1,867	3,553

Functionality / Characteristics	2017 Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 232,937	$ 215,074	$ 448,011
Labor insurance and national health insurance	23,975	18,102	42,077
Pension expenses	11,397	12,025	23,422
Remuneration to Directors	-	5,899	5,899
Other employee benefits expenses	12,900	12,460	25,360
Depreciation expenses	122,673	48,662	171,335
Amortization expenses	1,372	1,518	2,890

Note: By the end of December 31, 2018 and 2017, the number of employees of The Company are respectively 792 and 786, of which the numbers of non-employee directors are respectively 5 and 7.

1. According to the Articles of Incorporation of The Company, The Company should

contribute 1% to 15% as employee bonus according to the balance amount with the deduction of accumulated loss from profitability of the year, and the bonus of member of the board should not be more than 3%.

2. (1) The Company had the 2018 and 2017 remuneration to employees appropriated for an amount of NT$30,000 and NT$21,750, respectively; the remuneration to directors appropriated for an amount of NT$4,400 and NT$3,300, respectively. The said amounts were booked in the salary expense account.

   (2) The estimated recognition of 2018 is based on the profitability of the year, of which 6.42% for employee bonus and 0.94% for bonus of member of the board; the estimated amount is consistent as the resolution made by the board of director. The above stated employee bonus is distributed in cash.

   (3) The remuneration to employees and remuneration to directors for an amount of NT$21,750 and NT$3,300 in 2017 resolved by the Board of Directors was same as the amount reported in the 2017 financial statements.

3. Information on the employee and remuneration for directors as approved by the board of directors can be found on the Market Observation Post System.

(XVIII) Financial costs

	2018		2017	
Interest expenses:				
Bank loan	$	34,923	$	33,160
Non-financial institution loan		120		120
	$	35,043	$	33,280

(XIX) Income tax

1. Income tax expense

   (1) Components of income tax expense:

	2018		2017	
Current income tax:				
Current income tax	$	59,636	$	20,885
Additional levy on undistributed earnings		10,349		5,921
Overestimated income tax in prior periods	(	6,772)	(	5,791)
Total Current income tax		63,213		21,015
Deferred income tax:				
Origin and reversal of temporary differences		2,176		14,837
The influence of change in tax rate	(	2,652)		-
Total deferred income tax	(	476)		14,837
Income tax expenses	$	62,737	$	35,852

(2) Income tax amounts relating to other comprehensive profit and loss:

	2018	2017
Exchange differences in overseas operating institutions	($ 2,183)	($ 11,536)
Defined benefit obligation revaluation amount and volume	(3,434)	(1,502)
The influence of change in tax rate	(2,574)	-
	($ 8,191)	($ 13,038)

2. Relationship between income tax expense and accounting profit:

	2018	2017
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 86,523	$ 58,920
Tax-free income by Income Tax Law	(2,494)	(1,631)
The unrealized income according to the tax act.	(24,738)	(21,592)
The realized evaluation change of deferred income tax assets	-	25
The unrecognized deferred income tax assets with temporary difference.	2,521	-
Additional levy on undistributed earnings	10,349	5,921
The influence of change in tax rate	(2,652)	-
Overestimated income tax in prior periods	(6,772)	(5,791)
Income tax expenses	$ 62,737	$ 35,852

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

2018

	January 1	Influence value of IFRS 9	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	December 31
Timing difference:					
-Deferred income tax assets					
Inventory valuation and obsolescence losses	$ 622	$ -	$ 4,754	$ -	$ 5,376
Transfinite number of allowance for doubtful accounts loss	5,606	3,441	1,767	-	10,814
Unrealized gross profit	12,357	-	3,598	-	15,955
Net determined benefit liability	23,025	-	600	-	23,625
Investment loss of equity method	17,473	-	903	-	18,376
Leave encashment	3,194	-	1,260	-	4,454
Reevaluation of determined benefit plan	10,802	-	-	5,340	16,142
Translation adjustment of the foreign operation	3,782	-	-	2,851	6,633
Others	1,911	-	228	-	2,139
Subtotal	$ 78,772	$ 3,441	$ 13,110	$ 8,191	$ 103,514
-Deferred income tax liabilities					
Income of investment under the equity method	($ 49,068)	$ -	($ 12,030)	$ -	($ 61,098)
Revaluation increment of land	(43,862)		-	-	(43,862)
Unrealized exchange gain	(90)	-	(604)	-	(694)
Subtotal	($ 93,020)	$ -	($ 12,634)	$ -	($ 105,654)
Total	($ 14,248)	$ 3,441	$ 476	$ 8,191	($ 2,140)

2017	January 1		Recognized in the profit or loss		Recognized in the other comprehensive profit of loss		December 31
Timing difference:							
Deferred income tax assets							
Inventory valuation and obsolescence losses	$	897	($	275)	$	-	$ 622
Transfinite number of allowance for doubtful accounts loss		5,676	(	70)		-	5,606
Unrealized gross profit		18,701	(	6,344)		-	12,357
Determined benefit obligation		30,206	(	7,181)		-	23,025
Investment loss of equity method		18,180	(	707)		-	17,473
Unrealized exchange loss		158	(	158)		-	-
Leave encashment		2,858		336		-	3,194
Defined benefit obligation revaluation amount and volume		9,300		-		1,502	10,802

2017

	January 1	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	December 31
Foreign operations Translation adjustment conversion	-	-	3,782	3,782
Others	1,990	(79)	-	1,911
Subtotal	$ 87,966	($ 14,478)	$ 5,284	$ 78,772
Deferred income tax liabilities				
Income of investment under the equity method	($ 48,799)	($ 269)	$ -	($ 49,068)
Revaluation increment of land	(43,862)	-	-	(43,862)
Translation adjustment of the foreign operation	(7,754)	-	7,754	-
Unrealized exchange gain	-	(90)	-	(90)
Subtotal	($ 100,415)	($ 359)	$ 7,754	($ 93,020)
Total	($ 12,449)	($ 14,837)	$ 13,038	($ 14,248)

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 16,803	$ 14,282

5. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2016.

6. The amendment of Taiwan Income Tax Act. Has been effective since it was issued on February 7, 2018, the tax rate of the profit-seeking enterprise income tax has been increased from 17% to 20%. This amendment has been applicable since 2018. The Company has evaluated the influence of the relevant income tax regarding the change evaluation of such tax rate.

(XX) Earnings per share

Basic earnings per share

2018

	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
Net income	$ 369,870	297,253 thousand shares	$ 1.24

2017

	After-tax amount	Weighted average outstanding shares	Earnings per share (NTD)
Net income	$ 310,739	297,253 thousand shares	$ 1.05

From 2018 onward, employee can be made by way of shares issues, the calculation of earnings per share is based on the assumption that employee bonus is made using shares, and when the potential ordinary shares has the dilution effect, it is then included in the number of weighted average outstanding shares to calculated the diluted earnings per share; when calculating basic earnings per share, the number of shares confirmed in the shareholders meeting resolution for employee bonus by way of shares is then included in the weighted average outstanding ordinary shares for the year of resolution. Since the imputed dilution effect of the common stock for employees is minor in 2018 and 2017, The Company tends to not disclose the dilution of earnings per share.

(XXI) Supplementary information about the cash flows

Investing activities partially funded with cash:

	2018	2017
Fixed asset purchases	$ 139,334	$ 86,562
Less: Initial prepayments for business facilities	(20,283)	(2,895)
Add: Ending prepayment for business facilities	47,469	20,283
Add: beginning balance of equipment amount payable	14,462	26,097
Less: Ending payment payable for business facilities	(22,623)	(14,462)
Cash Paid for the Period	$ 158,359	$ 115,585

(XXII) Changes in liability from financial activities.

	Shot-term borrowings	Long-term borrowings	Total liabilities from financial activities.
January 1, 2018	$ 960,428	$ 1,679,000	$ 2,639,428
Borrowing	-	847,000	847,000
Repayment	(44,427)	(698,000)	(742,427)
December 31, 2018	$ 916,001	$ 1,828,000	$ 2,744,001

	Shot-term borrowings	Long-term borrowings	Total liabilities from financial activities.
January 1, 106	$ 950,614	$ 1,640,000	$ 2,590,614
Borrowing	9,814	555,000	564,814
Repayment	-	(516,000)	(516,000)
December 31, 2017	$ 960,428	$ 1,679,000	$ 2,639,428

VII. Related party transactions

(I) Name and relationship of related parties

Name	Relationship with The Company
Chunghwa Chemical Synthesis & Biotech Co., Ltd. (CCSB)	The associate of The Company
Sino-Japan Chemical Co., Ltd. (Sino-Japan Chemical)	The associate of The Company
Chunghwa Yuming Healthcare Co., Ltd. (Chunghwa Yuming)	Subsidiary of the Bank
Chunghwa Senior Care Co., Ltd. (Chunghwa Senior Care)	Subsidiary of the Bank
PHERMPEP CO., LTD. (PHERMPEP)	Subsidiary of the Bank
Tairung Development Co., Ltd. (Tairung Development)	Subsidiary of the Bank
Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial Co.,Ltd. (SCCPC)	Subsidiary of the Bank
HU-YU CO., LTD (HU-YU)	The individual controlled by major management team of The Company.
Fontanus Biotech Co., Ltd. (Fontanus Biotech)	Substantial related party of The Company (Note)

Note: Being liquidated in October 2017.

(II) Major transactions with related parties

1. Operating revenue

	2018	2017
Merchandising:		
Subsidiaries-		
Chunghwa Yuming Healthcare Co., Ltd.	$ 1,679,712	$ 1,387,076
One of the individuals controlled by the major management team		
HU-YU	323,446	356,595
Substantial related party	-	16,810
	$ 2,003,158	$ 1,760,481

(1) The transaction price which The Company offers to the subsidiary and the substantial related party is based on the quotation in the purchase agreement signed by both parties, and the payment is 180 days. The transaction price for the joint replacement products that The Company sells is made by the individual controlled by the major management team based on the import cost plus 4%~8%. Due to the industry peculiarities, the payment is longer than the general transactions.

(2) The payment term of The Company for general customers is 120 days to 180 days. Except for the previous statement, the payment term and transaction price for related party is relevant to customers at the same level, however, part of the payments is still being delayed.

2. Purchases

	2018	2017
Purchase of goods:		
Affiliate business	$ 55,389	$ 32,292
Subsidiaries	7,597	6,679
	$ 62,986	$ 38,971

The purchase from The Company to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing.

3. Accounts receivable and notes

	December 31, 2018	December 31, 2017
Accounts receivable and notes:		
Subsidiaries- Chunghwa Yuming Healthcare Co., Ltd.	$ 1,020,365	$ 806,379
One of the individuals controlled by the major management team		
HU-YU	221,382	223,596
	1,241,747	1,029,975
Less: allowance for bad debt	(33,227)	(17,797)
	$ 1,208,520	$ 1,012,178

The payment term of The Company for general customers is 120 days to 180 days, for the subsidiary is 150 days, for the substantial related party is 180 days and for the individual controlled by the major management team is 240 days. For the bill to related party with overdue payment, the recognition has been changed to "other account receivable- related party" with the collateral guarantee offered by the chairman of the company. Please refer to Note 7 (1)5(1) loan funds of "The individual controlled by the major management team"

4. Accounts payable

	December 31, 2018	December 31, 2017
Subsidiaries	$ 3,934	$ 2,497
Affiliate business	26,939	15,834
	$ 30,873	$ 18,331

The purchase from The Company to the related party is based on the general commercial conditions, and the payment is 3~4 months with remittance after purchasing.

5. Other receivable

(1) Related party of the loan funds

	December 31, 2018	December 31, 2017
A. Related party of the loan funds.		
One of the individuals controlled by the major management team		
HU-YU	$ 200,299	$ 187,986
Less: allowance for bad debt	(30,045)	(28,198)
	$ 170,254	$ 159,788

	December 31, 2018		December 31, 2017	
B. Interest income:				
One of the individuals controlled by the major management team				
HU-YU	$	5,041	$	4,540

(2) Interest receivable, rent receivable and collection and payment transfer.

	December 31, 2018		December 31, 2017	
Interest receivable, rent receivable and collection and payment transfer.				
One of the individuals controlled by the major management team				
HU-YU	$	13,685	$	16,366
Subsidiaries		7,051		6,524
	$	20,736	$	22,890

6. Rent revenue

	2018		2017	
Rent revenue:				
Subsidiaries-				
Chunghwa Yuming Healthcare Co., Ltd.	$	8,892	$	8,892
Others		220		170
The individual controlled by major management team of The Company		38		38
Substantial related party		-		29
	$	9,150	$	9,129

7. Provide the endorsement guarantee status of the related party

	December 31, 2018		December 31, 2017	
One of the individuals controlled by the major management team				
HU-YU	$	321,000	$	350,000

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

	Account titles in book	Number of shares	Object of transaction	2018 Prices of acquirements
Affiliate business- PHERMPEP CO., LTD.	Investment under the equity method	500,000	CCPC Health Biological Technology Co., Ltd.	$ 5,000

	Account titles in book	Number of shares	Object of transaction	2017 Prices of acquirements
Subsidiaries- Chunghwa Senior Care Co., Ltd.	Investment under the equity method	5,000,000	CCPC Health Biological Technology Co., Ltd.	$ 20,000

9. Others.

(1) The amounts of service revenue for administrative support which The Company provided to the subsidiary in 2018 and 2017 are both NT$6,000, and the unreceived amounts are respective NT$0 and NT$2,866 that were recognized in the account list as "other account receivable- related party".

(2) By December 31, 2018, The Company committed to give the necessary assistance when the working capital of some subsidiaries is insufficient.

(III) Remuneration to key management

	2018	2017
Short-term employee benefits	$ 30,082	$ 28,932
Retirement benefits	920	897
	$ 31,002	$ 29,829

VIII. Pledged assets

The Company's assets are used as collateral as follows:

Asset Item	Book Value December 31, 2018	Book Value December 31, 2017	Purpose of guarantee
Property, plant, and equipment	$ 2,523,113	$ 2,605,424	Long-term and short-term loan, purchase…etc.

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Contingencies

1. In February 2009, the Ministry of Justice held that during October 2001 ~ June 2004, the Company participated in a pharmaceutical procurement case of an authority supervisory

over public servants and was awarded that tender, in contravention of Article 9 of the Act on Recusal of Public Servants Due to Conflicts of Interests. Based on Article 15 of the same Act, the Ministry of Justice imposed a fine amounting to NTD60,990 which the Company recognized as a loss in Year 2008. In response to the administrative appeal lodged by the Company, the Ministry of Justice corrected the amount of the fine in July 2010 into an amount of NTD40,614. Further appeal through the Attorney-at-Law retained by the Company, the Company's appeal was dismissed by the Taiwan High Court in 2011. Once more, the Company lodged another appeal. The Supreme Administrative Court with a judgment rendered in May 2014 with a decision that the prior judgment should be set aside and the case should be returned to Taipei High Administrative Court. Taipei High Administrative Court rendered decision in April 2015 that the prior decisions should be set aside and that the Ministry of Justice should render another decision appropriate according to law in accordance with Article 15 of the Art for Avoidance from Presence (Recuse). Further on October 19, 2015, the Ministry of Justice issued a letter to correct the amount of the fine into NTD20, 000 (entered into balance sheet as reserve for liability - current). Based on the most up-to-date ruling, the Company already reversed the originally entered penalty fine NTD20, 614 and entered as "other revenue". The Company lodged another administrative appeal in November 2015 and the Administrative Appeal Committee of the Executive Yuan (the Cabinet) dismissed the administrative appeal in April 2016. The Company lodged appeal with Taipei High Administrative Court and Taipei High Administrative Court already dismissed the appeal in September 2016. In turn, the Company lodged appeal to the Supreme Administrative Court in November 2016 and the Supreme Administrative Court rendered a judgment in September 2017 whereunder the Company was a loser in the final and irrevocable decision.

2. The company has in March 2016 received a Taipei District Court Civil Court notice, notifying the Securities Investor and Futures Traders Protection Center (hereinafter referred to as the Investors Protection Center) seeking the court to dismiss the company chairman’s director position for dismissing the appointment relationship between the company and its chairman, thus the Investors Protection Center has also enlisted the company as the joint defendant, to which the company has appointed its legal counsel to conduct the counterargument. The Taipei District Court has in December 2016 overruled the Investor Protection Center’s suit and following the Investors Protection Center pressing appeal with the Taipei High Court, the Taipei High Court in October 2018 rendered a judgment awarding the company with a defeat suit and following the company and company chairman pressing appeal, the Supreme court has on January 9, 2019 overruled the appeal that has been confirmed, except with the company having had an across-the-board re-election of directors and independent directors before the November 14, 2018 shareholders’ meeting. Thus the case judgment and confirmation do not affect the incumbent directors’ fiduciary duties as voted before the November 14, 2018 shareholders’ meeting.

3. The company has in September 2017 received from TSH Biopharm pressing a patent infringement and breach of Fair Trade Act litigation and also seeking a $5,000 compensation, which the company has duly evaluated to be free of any circumstance of what it cited as breach of the Patent Law and Fair Trade Act, while the Intellectual Property Court has in July 2018 overruled Tsh Biopharm’s suit, and following Tsh Biopharm pressing appeal with Intellectual Property Court in Aug. 2018, the company has retained legal counsel to conduct counterargument.

(II) Commitments

1. The rent payable for the land and office which The Company leases according to the lease contract is NT$3,527 until the expiry date (December 31, 2019).
2. The amounts of the issued letter of credit without being used and the issued cashier's checks are respectively NT$56,628 and $2,170,000.
3. The unpaid amount for contract of purchasing machines and equipment as well as the plant is summed up as NT$222,426.

X. Significant disaster loss

No such event

XI. Significant subsequent events

Please find Note 6(12)5 for explanation of the earnings distribution.

XII. Others

(I) Capital management

The Company’s capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company’s capital structure. The Company uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including “current and non-current borrowings” presented in the individual balance sheet) less cash and cash equivalents. Total capital is calculated as “equity” presented in the individual balance sheet plus net debts.

The strategy of The Company in 2018 is the same as that in 2017, which is dedicated to maintaining the debt-to-capital ratio to 40% below. The debt-to-capital ratio of The Company in December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Total loan amount	$ 2,744,001	$ 2,639,428
Less: Cash and cash equivalent	(41,013)	(73,804)
Net debt	2,702,988	2,565,624
Total equity	5,670,558	5,563,143
Total capital	$ 8,373,546	$ 8,128,767
Liability/assets ratio	32%	32%

(II) Financial instruments

1. Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 275,623	$ -
Available-for-sale financial assets	-	282,836
Financial assets at cost	-	30,710
The financial assets / loan and accounts receivable after amortized cost.		
Cash and cash equivalents	41,013	73,804
Notes receivable	220,865	249,080
Accounts receivable	1,270,561	1,069,717
Other receivables	216,060	208,933
Refundable deposits	3,167	4,257
	$ 2,027,289	$ 1,919,337
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 916,001	$ 960,428
Accounts payable	350,422	235,593
Other payable	221,120	186,097
Deposits received	5,100	6,679
The long-term loan (including the expiration of one year or an operating cycle).	1,828,000	1,679,000
	$ 3,320,643	$ 3,067,797

2. Risk management policies

(1) The daily operations of The Company are affected by multiple financial risks, which include the market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management policy of The Company is to focus on the unpredictable matters of the financial market and seek for the method to decrease the potential adverse impact on the financial situation and financial performance of The Company.

(2) The risk management is executed by the financial department of The Company according to the policy approved by the board of director. The financial department of The Company works close with the operating unit of the group to identify, evaluate and avoid risks. The board of director also sets the written principle for the

overall management risk and provides a written policy for specific scope and matters, ex. currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments as well as the investment of the remaining liquidity.

3. Nature and degree of the significant financial risk.

(1) Market Risk

Exchange rate risk

A. The operation of The Company is transnational, which suffers from the currency occurred by multiple currencies and the majority is US dollars and YEN. The relevant currency risk comes from the future commercial deals, recognized assets and liability as well as the net investment of the foreign operation.

B. The business of The Company involves several non-functional currencies (the functional currency of The Company and some subsidiaries is NTD, while that of some subsidiaries are US dollars and RMB), therefore, affected by the exchange rate fluctuation, the information about the currency with significant exchange rate fluctuation is as follows:

	December 31, 2018		
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
JPY: NTD	$ 180,251	0.2785	$ 50,200
USD: NTD	2,394	30.72	73,544
Financial liabilities			
Monetary items			
USD: NTD	$ 6,832	30.72	$ 209,879
JPY: NTD	1,800	0.2785	501

	December 31, 2017		
	Foreign currency (NT$ thousand)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 78	29.76	$ 2,321
JPY: NTD	48,609	0.2642	12,842
Financial liabilities			
Monetary items			
USD: NTD	$ 1,308	29.76	$ 38,926
JPY: NTD	1,391	0.2642	368

C. The amounts of the unrealized gains and losses with significant exchange rate fluctuation for the currency of The Company recognized in 2018 and 2017 are summed amount respectively as NT$1,452 and NT$1,429.

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

	2018		
	Sensitivity analysis		
	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 735	$ -
JPY: NTD	1%	502	-
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 2,099	$ -
JPY: NTD	1%	5	-

	2017		
	Sensitivity analysis		
	Magnitude changes	Influence of profit and loss	The impact of other comprehensive profit or loss
(Foreign currency: Functional currency)			
Monetary items			
USD: NTD			
JPY: NTD	1%	$ 23	$ -
Financial liabilities	1%	128	-
Monetary items			
USD: NTD			
JPY: NTD	1%	$ 389	$ -

Price risk

A. The equity instrument exposed to price risk of The Company means all financial assets listed in the account at fair value through other comprehensive income. To manage the price risk for the investment of equity instrument, The Company will break down the investment portfolio which is followed by the limited amount set by The Company.

B. The Company mainly invests in the domestically listed and unlisted equity instrument, the price of such equity instrument will be affected by the uncertainty of the future value of that investment object. If the price of that equity instrument rises or drops 1%, and all other elements remain the same, the profits or losses of the equity investment classified by fair value through other comprehensive income and financial assets at amortized cost and available-for-sale equity investment in 2018 and 2017 are, respectively, increased or decreased for $2,757 and NT$2,828.

Cash flows and the interest risk of fair value

A. The interest risk of The Company comes from the long-term loan, short-term loan and short-term bills payable. The Company suffers from the interest rate risk of the cash flows based on the loan issued according to floating rate, part of the risk is being offset with the cash and cash equivalents based on the floating rate. The Company suffers from the interest rate risk of the fair value with the loan issued based on the fixed rate. The loan of The Company is mainly with a floating rate. The loan amount of The Company in 2018 and 2017 is based on the floating rate in NTD, US dollars and YEN.

B. In 2018 and 2017, if the change in loan interest rates is 0.1%, and all other elements are remained the same, net incomes of 2018 and 2017 will respectively decreases $2,744 and $2,639 mainly because of the decrease or increase of the interest for the loan of floating interest.

(2) Credit Risk

A. The credit risk of The Company comes from the financial loss risk due to the unperformed contract obligations of the counter party, and the cash flow of the account receivable can't be paid by the counter party based on the payment term.

B. The Company established credit risk management in view of a group. According to the credit policy specified internally, before setting the payment, delivery terms and conditions with the new customer, each operating individual in the group should manage and proceed with the credit risk analysis. The internal risk management is to evaluate the credit quality of the customer in consideration of the financial situation, previous experience and other factors. The limited amount of the individual risk is set by the board of director according to the internal or external rating and monitored with the use of the credit line regularly.

C. The Company adopts IFRS 9 to provide the following assumption as the basis to judge if the credit risk of the financial instrument significantly increases since initial recognition:

According to the actual receipt of payment previously, when the payment amount is exceeding than the amount agreed in the contract, the credit risk of the financial assets after initially recognized is considered as significantly increased.

D. The Company adopts IFRS 9 to provide the assumption and based on actual receipt of payment previously that if the payment term in the contract exceeding 91-180 days, it will be considered as violation.

E. The Company classifies the accounts receivable of the customers according to the features of trading credit risk with simplified method to prepare matrix and loss-rate approach as a base to estimate the expected credit loss.

F. With the recourse process, The Company writes off the receivable amount of the financial assets which can't be expected reasonably, however, The Company will still proceed with the law process for recourse to reserve the equity of creditors' rights. By December 31, 2018, The Company did not have the liability for creditor's with recourse write-off.

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

(1) The expected loss rate for the individual of the management team of The Company is 15%, and the amounts of the payment receivable/ total bills as and allowances for loss on December 31, 2018 are respectively NT$221,382 and NT$33,227.

(2) The Company adjusts the loss rate established according to the historical and current information in a specific period of time in consideration of the completeness of vision, to estimate the bill receivable and allowance for loss. The prepared matrix of December 31, 2018 is as follows:

	Overdue within 30 days	Overdue within 31-90 days	91 to 180 days overdue.	Overdue exceeding 180 days	Total
December 31, 2018					
Expected rate of loss	0.69%	24.21%	100%	100%	
Total amount of the book value	284,869	-	1,219	159	286,247
Allowance for losses	1,963	-	1,219	159	3,341

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

	2018 Note receivable and accounts receivable	Other receivables	Total
January 1_IAS 39	$ 18,998	$ 28,198	$ 47,196
-Translation adjustment which is applicable for new criterion.	20,239	-	20,239
January 1_IFRS 9	39,237	28,198	67,435
Recognition of impairment loss	62	-	62
de-recognition	(884)	-	(884)
Reclassification	(1,847)	1,847	-
December 31	$ 36,568	$ 30,045	$ 66,613

1. Please find Note 12, (4) for the explanation of the credit risk information on December 31, 2017

(3) Liquidity risk

A. The prediction of cash flows is executed by each operating unit in the group and summarized by the financial department of the group. The financial department of the group monitors the prediction for the liquidity requirement of the group, to ensure the capital is sufficient to support the operation requirements.

B. The table below is the non-derivative financial liabilities of The Company, which is classified based on the due date. The non-derivative financial liabilities are analyzed according to the remaining period between the dates of balance sheet to the expiry date of the contract. The amount of the cash flows in the contract disclosed by the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2018	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 185,480	$ 730,521	$ -	$ -
Accounts payable	172,803	177,619	-	-
Other payables	220,287	833	-	-
Long-term borrowings	5,454	16,363	1,741,638	100,863
Deposits received	-		-	5,100

Non-derivative financial liabilities:

December 31, 2017	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 25,566	$ 934,862	$ -	$ -
Accounts payable	81,862	153,731	-	-
Other payables	47,596	138,501	-	-
Long-term borrowings	5,870	16,373	1,410,720	283,368
Deposits received	-		-	6,679

(III) Fair value information

1. Please refer to Note 20 (2) 1. for the fair value information of the financial assets that are not measured at the fair value.
2. The valuation technique for measuring the fair value of financial and non-financial instruments is defined as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date An active market refers to the market with sufficient frequency and quantity of the assets or liabilities transactions took place in order to provide market pricing information constantly. The fair value of the stock investment for the listed stock invested by The Company is all included.

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable inputs of assets or liabilities.

3. The Company's financial and non-financial instruments measured at fair value are classified by the nature of assets and liabilities, characteristics and risks, and fair value as follows:

(1) The relevant information about the classification of the nature for the assets and liabilities of The Company is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Investment of equity instruments at fair value through other comprehensive income	$ 244,590	$ -	$ 31,033	$ 275,623

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Available-for-sale financial assets – Equity securities	$ 282,836	$ -	$ -	$ 282,836

(2) The methods and assumptions used by the Company to measure fair value are described as follows:

A. The Company adopts the market quotation as the input value for the fair value (which is the first class), the classfication according to the feature of the tool is as follows:

	Listed stocks
Market quotation	Closing price

B. Besides the financial instrument of the active market as stated above, the fair value of other financial instrument is obtained by evaluation technique or reference of the counter party.

C. While evaluating the financial instrument which is non-standardized and with low complexity, The Company adopts the evaluation technique which is comprehensively used by the market participants. The parameter used for the valuation model of such financial instrument is usually the observable information of the market.

D. What the valuation model comes out is the estimated value, and the evaluation technique can't reflect all relating factors of the financial instrument and non-financial instrument of The Company. Therefore, the estimated value of the valuation model will be adjusted based on the additional parameter properly, such as the model risk or liquidity risk…etc. According to the management policy and relevant control program of the valuation model for fair value of The Company, the management team believes it is appropriate and necessary to adjust the valuation for presenting the fair value of the financial instrument and non-financial instrument in the aggregate balance sheet. The price information and parameter used in the valuation process is evaluated prudently and adjusted according to the current market situation properly.

5. There was not any transfer between Level 1 and Level 2 in 2018 and 2017, respectively.
6. The changes in Level 3 in 2018 and 2017, respectively, are described as follows:

	2018
	Equity instruments
January 1	$ -
- Translation adjustment which is applicable for new criterion.	31,142
January 1_IFRS 9	31,142
Evaluation adjustment	(309)
December 31	($ 309)

7. The valuation process for classifying the fair value to the third level of The Company is proceeded by the financial department for the independent fair value valuation of the financial instrument, by using the independent sources to have the valuation result close to the market status, and make sure the sources of the information is independent, reliable and consistent with other resources as well as all other necessary adjustment of fair value, to ensure the valuation result is reasonable.

   Besides, the valuation policy, valuation process and confirmation for the fair value of the financial instrument set by the Ministry of Finance meet the regulations of relevant international financial reporting standards.
8. The sensitivity analysis explanation of the quantitative data of significant non-observable input value and change of significant non-observable input value which belongs to the valuation model for the items to review the third level of fair value is as follows:

	Fair value on December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Stock of the venture capital	$ 31,033	Net assets value method	Not applicable	Not applicable

9. The valuation and valuation parameter chosen by The Company is evaluated properly, however, the different valuation model or valuation parameter may lead in different valuation result.

(IV) The information about influence of first-time adoption of International Financial Reporting Standards 9 and the information about adoption of International Accounting Standards 39 in 2017.

1. The explanation of the significant accounting policies adopted in 2017 is as follows:
   (1) Available-for-sale financial assets
      A. Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other categories.
      B. On a regular way purchase or sale basis, available-for-sale financial assets are accounted for using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. Subsequent appraisal is at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in “financial assets carried at cost”.

(2) Loans and Receivables

Accounts receivable including loans and receivables are originated by the entity and refer to amounts receivable from customers arising from the direct Provision of merchandise or services. Loans and receivables are measured at fair value on initial recognition and subsequently at the amortized cost using the effective interest rate less provision for impairment. Short-term non-interest bearing accounts receivable are measured subsequently at the original invoice amount as the effect of discount is insignificant.

(3) Impairment of Financial Assets

A. The Company assesses at each balance sheet date to determine whether there is objective evidence of impairment on a financial asset or a group of financial assets. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a single or several loss event(s) has (have) occurred after the initial recognition of the asset, and that the “loss event” has an impact on the future cash flows of the asset that can be estimated reliably.

B. Objective evidence that a financial asset or a company of financial assets is impaired includes:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(D) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or changes in national or local economic conditions that correlate with defaults on the assets in the group;

(E) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(F) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortized cost

Means to recognize the impairment loss at the current profit and loss with the book value and the future cash flows which is similar to the difference between the initial effective interest rate and present discounted value of the financial asset. When the amount of impairment loss decreases in subsequent periods, and that decrease can be connected to the matters occurred after recognition of net income or loss for current period objectively, then for impairment of the previous recognition should be in the condition of unrecognition with limited value of amortized cost at the net profit or loss of the current period for reversal on the reverse date. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Financial assets at cost

Means to recognize the impairment loss at the net profit and loss of the current period with the book value and the future cash flows which is similar to the difference between the discounted current market return and present discounted value of the financial asset. Such impairment loss can't be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(C) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss in the current period. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The book value of the financial assets since December 31, 2017 according to IAS 39 has been switched to January 1st, 2018 according to IFRS9 with the adjustment as follows:

	IAS39	Transferred to measured at fair values through other comprehensive income- equity	Translation adjustment of impairment loss	Translation adjustment of associate	IFRS9
Measured at fair values through other comprehensive income- equity	$ -	$ 314,178	$ -	$ -	$ 314,178
Measured on the basis of cost after amortization	-		-	-	-
At cost	30,710	(30,710)	-	-	-
Available-for-Sale Financial Assets	282,836	(282,836)	-	-	-

Bill receivable and payment (including the related party)	306,619	-	(20,239)	-	286,380
Deferred income tax assets	78,772	-	3,441	-	82,213
Investment under the equity method	2,528,494	-	(6,451)	76	2,522,119
	$ 3,227,431	$ 632	($ 23,249)	$ 76	$ 3,204,890
Influence					
Other equity	$ -	$ 632	$ -	$ -	$ 632
Retained earnings	-	-	(23,249)	76	(23,173)
	$ -	$ 632	($ 23,249)	$ 76	($ 22,541)

(1) The Company follows the regulation for the recognition of impairment loss according to IFRS 9, to increase the deferred income tax assets of NT$3,441, decrease accounts receivable of NT$9,688, bill receivable of NT$10,551, and investment of NT$6,451 with equity method and retained earnings of 23,249.

(2) The Company classified the available-for-sale financial assets of NT$282,836 and the financial asset at cost of NT$30,710 based on IFRS 9, and increased the financial assets at fair value through other comprehensive income of NT$314,178, the investment with equity of NT$76, retained earnings of NT$76 and other equity of NT$632.

3. The explanation of the major accounting items for December 31, 2017 and the year of 2017 is as follows:

(1) Available-for-sale financial assets

	December 31, 2017
Pacgen Biopharmaceuticals Corp.	$ 13,992
momo.com Inc.	167,458
Evaluation adjustment	101,386
	$ 282,836

The amount of recognition for other comprehensive income due to the change in fair value of The Company in the year of 2017 is profit of NT$30,631.

(2) Financial assets at cost

Investee	Ratio of Shareholding (%)	Book value December 31, 2017
Green Management International Co., Ltd.	4.73	$ 710
CDIB Capital Healthcare Ventures Ltd.	1.71	30,000
		$ 30,710

The investment of The Company should be classified according to the intention as available-for-sale financial assets, however, since that object is not the public transaction in the active market, and can't obtain sufficient industry information of a similar company as well as the relevant financial information of the invested company, therefore, it can't be measured reliably as fair value of those objects, thus are classified as "financial asset at cost."

4. The explanation of the credit risk information of December 31, 2017 and the year of 2017 is as follows:

   (1) The credit risk means the risk of the financial loss caused by the unperformed contract obligations of the counter party due to the customer or financial instrument of The Company. Each operating individual in the group should analyze management and credit risk for each new customer based on the specified credit policy of The Company before setting payment, delivery terms and conditions The internal risk management is to evaluate the credit quality of the customer in consideration of the financial situation, previous experience and other factors. The limited amount of the individual risk is set by the board of director according to the internal or external rating and monitored with the use of the credit line regularly. The major credit risk comes from the cash and cash equivalents, derivative financial instruments and deposits put in the bank and financial institution, as well as the credit risk of the Wholesale and retail customers, the unpaid accounts receivable is also included.

   (2) In the year of 2017, it did not exceed the credit line, and the management team doesn't expect that the major loss will come from the unperformed contract obligation by the counter party.

   (3) The information about the credit quality for the financial assets which are not overdue or not impairment loss.

	December 31, 2017	
	Group 1	Group 2
Accounts receivable (including related party and non-related party)	$ 71,000	$ 856,585
Bills receivable (including related party and non-related party)	32,807	216,273
Total	$ 103,807	$ 1,072,858

Group 1: Means customers whom the animal medicine is sold to

Group 2: Means other customers.

   (4) By December 31, 2017, the amount of the impairment loss accounts receivable of The Company is NT$161,130.

   (5) The analysis of the change in financial assets for impairment loss is as follows:

	2017		
	Impairment loss that is individually evaluated	Impairment under group assessment	Total
January 1	$ 1,632	$ 18,315	$ 19,947
The impairment loss of current reverse	-	(949)	(949)
December 31	$ 1,632	$ 17,366	$ 18,998

(V) The information about influence of first-time adoption of International Financial Reporting Standards 15 and the information about adoption of International Accounting Standards 18 in 2017.

1. The significant accounting policy which was adopted to recognize income for 2017 is as follows:

   Recognition of revenue

   The Company manufactures and sells medicines and health relating products. Income means the net amount presentation for the fair value of received or consideration receivable for selling products to customers of The Company in the normal business activity, to deduct the business tax, sales return, quantity discount and discount. Merchandising is when the product is being sold to the buyer, the sales amount can be measured reliably, and the future economic effectiveness may be recognized as income while flowing to the enterprise. When the relevant significant risk and reward of the ownership has been transferred to the customer, The Company won't either join the management, nor maintain the effective control, and it means the customer accepts the goods according to the sales contract, or any objective evidence that shows all conditions have been met, the delivery of goods is firm.

2. The recognized income of The Company which is applicable to the above stated accounting policy in 2017 is as follows:

	2017
Sales revenue	$ 2,895,813

3. If the above stated accounting policy is still applicable to The Company on December 31, 2018, the influence value of the current balance sheet and single item of the statement of comprehensive income and the explanation is as follows:

		December 31, 2018		
Items of balance sheet	Remark	The recognized balance amount according to IFRS 15	The balance amount based on the original accounting policy	The influence value of change in accounting policy
Contractual liability	Note 1	1,499	-	1,499
Sales revenue received in advance	〃	-	1,499	(1,499)

Note 1: The Company recognized the contractual liability of the sales contract according to the regulations of IFRS 15, which was represented as unearned receipts on the balance sheet reported in the past accounting period (listed as other current liquidity risk liabilities), is re-classified as contractual liability- liquidity.

XIII. Notes of disclosure

(I) Information about important transactions

According to the "Regulations Governing the Preparation of Financial Reports by

Securities Issuers." The significant transaction matters of The Company in 2018 is as follows:

1. The Loaning of funds: please refer to Attachment 1.
2. Endorsement and Guarantee: please refer to Attachment 2.
3. Marketable securities held at yearend (excluding investments in subsidiaries, affiliated companies, and joint venture): please refer to Attachment 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: Not applicable.
5. Acquisition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
6. Disposition of real estate properties amounting to more than NTD300 million or 20% of paid up capital: Not applicable.
7. Purchase/sale amount of transactions with related parties reaching 100 million NTD or more than 20% of the paid-in capital: please refer to Attachment 4.
8. Amounts receivable from related parties totaling more than NTD100 million or 20% of paid up capital: please refer to Attachment 5.
9. Involved with the transaction of derivatives: No such situation.
10. For the business relationship among the parent company/subsidiary and each subsidiary and the important transactions, please see attached table 6.

(II) Information regarding investees

For the name, religion of the invested company…, such information (excluding the invested company in China), please see attached table 7.

(III) Information regarding investment in the territory of mainland china

1. Basic information: Please see attached table 8.
2. Significant transactions with investee companies in the Mainland China, either directly or indirectly through a third country: Not applicable.

XIV. Segment information

According to the regulations of IAS 8, disclosed in the consolidated financial statements.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Funds to others

January 1 to December 31, 2018

Attachment 1

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	The lender of fund	The borrower of fund	Transaction title	Are they related parties	amount – current period (Note 2)	Balance, ending	The actual amounts disbursed	Interest rate collars	of financing (Note 3)	Amount of business transactions	necessity of short-term financing	Amount of provision for bad debts	Collateral Name	Collateral Value	Limit of financing particular beneficiary	Total limit of financing	Remarks
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	Other receivables	Y	$ 223,418	$ 323,446	$ 200,299	2.40%	1	$ 323,446	-	$ 30,045	Note 5	$ -	323,446	$ 1,701,167	Note 4
	Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical	Other receivables	Y	5,000	-	-	1.5-2.5%	2	-	Purchase of equipment	-	-	-	76,670	153,340	Note 4

Note 1: The filing method for the numbering of lending money by The Company and its subsidiary is as follows:

(1)Fill in 0 for the issuer.

(2)The investees are sequentially numbered from 1 and so forth.

Note 2: Maximum balance of financing a third party in current period.

Note 3: Below are the two filing methods for the nature of lending money

(1) With business dealings

(2) With necessity of short-term financing

Note 4: The maximum loan amount of The Company and its subsidiary to the individual firm is limited to 15% of the net value of The Company and its Subsidiary; the aggregate loan amount of The Company and its subsidiary is limited to 30% of the net value of The Company and its subsidiary.

Note 5: The full value guarantee will be provided by the Chairman of The Company

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Endorsements and guarantees made for others

January 1 to December 31, 2018

Attachment 2

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the	The ending balance of endorsements and/or guarantees	The actual expenditure Amount	The endorsements and/or guarantees secured with	Total endorsements and guarantees as a percentage of equity in the most recent financial statement	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation (Note 2)											
0	China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	1	$ 1,701,167	$ 350,000	$ 321,000	$ 313,300	-	5.66%	$ 2,835,279	N	N	N	Notes 3 and 4

Note 1: The column for numbering is elaborated below:

(1)Fill in 0 for the issuer.

(2)The investees are sequentially numbered from 1 and so forth.

Note 2: The 6 types of relations between the endorsement/ guarantee provider and subject of endorsement/ guarantee are as follows. Indication of types is applicable.

(1)Business relation.

(2) Subsidiary owns over 50% of ordinary equity share with direct possession.

(3) The aggregation of the ordinary share possessed by The Company and its Subsidiary exceeds 50% by the investee.

(4) The Parent Company which possesses more than 50% of the ordinary equity share directly or through its Subsidiary with indirect possession.

(5) For building construction, The Company holds a mutual guarantee with other companies based on the peer agreement:

(6) Due to the joint investment relationship, shareholders are to provide endorsement and guarantee to the company proportionately to the respective shareholding ratio.

Note 3: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.

Note 4: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Marketable securities held at yearend (excluding investments in subsidiaries, associated companies, and joint ventures)

January 1 to December 31, 2018

Attachment 3

Unit: NTD thousand

(Except where otherwise stated)

					At ending				
Holding company	Types of negotiable securities	Names of negotiable securities (Note 1)	Relationship with the securities issuer	Account titles in book	Quantity	Book value	Ratio of Shareholding	Fair value	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Stock	PACGEN BIOPHARMACEUTICALS CORP.	-	Investment of equity instruments at fair value through other comprehensive income	238,050	13,992	0.37%	190	None
	〃	momo.com Inc.	-	Investment of equity instruments at fair value through other comprehensive income	1,300,000	179,284	0.92%	244,400	〃
	〃	Green Management International Co., Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	71,000	710	5.21%	1,130	〃
	〃	CDIB Capital Healthcare Ventures Ltd.	-	Investment of equity instruments at fair value through other comprehensive income	3,000,000	30,000	1.71%	29,903	〃
	〃	NEUROLOGIC, INC.	-	Investment of equity instruments at fair value through other comprehensive income	857,067	-	7.12%	-	〃
	〃	SynZyme Technologies,LLC	-	Investment of equity instruments at fair value through other comprehensive income	462,900	-	4.34%	-	〃
				Evaluation adjustment	-	51,637		-	〃
						$ 275,623			
Tairung Development Co.,	Stock	China Chemical and Pharmaceutical Co., Ltd.	The Bank	Investment of equity instruments at fair value through other comprehensive income	827,883	28,057	0.28%	$ -	None
				Evaluation adjustment		(13,072)			
						$ 14,985			
Timpco International Co., Ltd.	Stock	Herbal Science, LLC	-	Investment of equity instruments at fair value through other comprehensive income	-	$ -	4.00%	$ -	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 39, “Financial Instruments: Recognition and Measurement.”

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Purchase from or sale to related parties for an amount exceeding NT$ 100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attachment 4

Unit: NTD thousand

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes and accounts receivable (payable)	Remarks
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	Sale	$ 1,679,712	51.32%	The payment term is 150 days	Agreed by the quotation in the purchase agreement signed by both parties.	The payment term is 150 days.	$ 1,020,365	59.04%	
China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	The Chairman is the same person of The Company.	Sale	323,444	9.88%	The payment term is 240 days	Due to the unique sales item; no similar items for sales; the selling price is the import cost plus 4% ~ 10%	Due to the unique nature of The Company the usance of the bill should be longer than regular deals.	$ 421,681	24.40%	

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attachment 5

Unit: NTD thousand

(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		collected from related parties subsequently	Amount of provision for bad debts	Remarks
					Amount	Process			
China Chemical & Pharmaceutical Co., Ltd.	HU-YU CO., LTD	The Chairman is the same person of The Company.	421,681	0.78	$ 200,299	To obtain the proven guarantee from the chairman of The Company and take joint and several liability for the unpaid debts or bills.	$ 63,135	($ 63,272)	
	〃	〃	13,685	-	-	-	-	-	Note
	Chunghwa Yuming Healthcare Co., Ltd.	Subsidiaries	1,020,365	1.84	-	To collect overdue receivables pro-actively.	271,000	-	
	〃	〃	4,066	-	-	-	-	-	Note

Note: Means interest receivable, rent receivable and collection and payment transfer.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries.

January 1 to December 31, 2018

Attachment 6

Unit: NTD thousand

(Except where otherwise stated)

No. (Note 1)	Trader's name	Counterparty	Affiliation to trader (Note 2)	Transactions: Title	Transactions: Amount	Transactions: Terms and conditions	Transactions: Percentage in consolidated total revenue or total assets (Note 3)
0	CCPC	Chunghwa Yuming Healthcare Co., Ltd.	1	Sale	$ 1,679,712	Note 4	22.29%
0	〃	〃	1	Accounts receivable	1,020,365	〃	9.48%

Note 1:The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

(1)Fill in "0" for parent company.

(2)Subsidiaries are numbered from number 1.

Note 2: There are three types of relationships with traders, please mark the type intended.

(1)Parent company vs. subsidiaries.

(2)Subsidiaries vs. parent company.

(3)Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: The selling price is agreed to by the quotation in the purchase agreement signed by both parties.The payment of the selling goods is 150 days.

Note 5: The endorsement/ guarantee amount for the individual firm is limited to 30% of the net value of The Company.

Note 6: The endorsement/ guarantee amount of The Company is limited to 50% of the net value of The Company.

Note 7: The significant matters between the parent company and subsidiaries have been written off.

Note 8: The amount of individual deal below NT$100,000 will not be disclosed.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

The relevant information of names, area of location of the investees (excluding the investees in China)

January 1 to December 31, 2018

Attachment 7

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Proportion	Book value			
China Chemical & Pharmaceutical Co., Ltd.	Tairung Development Co., Ltd.	Taiwan	Manufacture and sales of glass, plastics made containers	$ 226,920	$ 226,920	4,376	71.64	$ 72,367	$ 627	$ 449	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Sino-Japan Chemical Co., Ltd.	Taiwan	Manufacture and selling of the chemical materials	37,474	37,474	318,216	21.99	411,882	203,890	44,827	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Holding Co., Ltd	Cayman Islands	Professional investment company	910,384	910,384	44,485,000	100.00	1,157,711	35,517	35,516	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Yuming Healthcare Co., Ltd.	Taiwan	Wholesale of medicine and medical equipment	547,600	547,600	29,590,000	100.00	422,095	24,442	23,970	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co.,Ltd	Taiwan	Manufacture and selling of the chemical materials	296,292	296,292	17,331,064	22.35	451,780	232,849	52,031	Evaluation of equity method
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Senior Care Co., Ltd.	Taiwan	Wholesale of medicine and medical equipment	324,400	324,400	5,000,000	100.00	524	(9,670)	(9,394)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd.	PHERMPEP CO., LTD.	Taiwan	Wholesale of biotechnology services and health products.	35,000	30,000	2,300,000	46.00	15,963	(9,442)	(5,286)	Evaluation of equity method
Chunghwa Holding Co., Ltd	Timpco International Co., Ltd.	Cook Islands	Professional investment company	801,701	801,701	16,436,500	100.00	1,157,480	35,657	0	Sub-subsidiary (Note 1)
Chunghwa Yuming Healthcare Co., Ltd.	Chunghwa Biomedical Technology Corp.	Taiwan	Manufacturer of cleaning products	16,000	11,600	1,600,000	80.00	7,824	(1,575)	0	Sub-subsidiary (Note 1)
Chunghwa Senior Care Co., Ltd.	Warm-Up Social Enterprise Co., Ltd.	Taiwan	Food wholesaler	1,530	-	-	38.25	934	(1,604)	0	Evaluation of equity method

Note 1: The Company does not recognize investment profit and loss directly.

Note 2: For the relevant information about the significant deals of the investees; please refer to the enclosed Table 1-6.

China Chemical & Pharmaceutical Co., Ltd. and subsidiaries

Basic information- Information of the investees in China

January 1 to December 31, 2018

Attachment 8

Unit: NTD thousand

(Except where otherwise stated)

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	remitted or recovered in current period: Outward remittance	remitted or recovered in current period: Recover	Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment Profit or Loss for Current Period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Manufacture and sales of pharmaceutical medicine and health products.	$ 755,151	2	$ 768,672	$ -	$ -	$ 768,672	$ 37,799	100	$ 37,799	$ 1,157,100	$ 137,345	Note 2 (2)B
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Wholesale and sales of pharmaceutical medicine and medical equipment.	10,203	3	-	-	-	-	991	100	991	4,132	-	Note 2 (2)B and Note 3
Pei Fu (Shanghai) Co., Ltd.	Wholesale and sales of medical equipment.	182,790	3	-	-	-	-	(10,402)	100	(10,402)	(7,136)	-	Note 2 (2)B and Note 4
Shanghai VisuScience Mediteh Co., Ltd.	Nutrition and health consulting service	113,737	3	-	-	-	-	(1,344)	30	(403)	32,190	-	Note 2 (2)A and Note 5
Shanghai Health Management Consulting Co., Ltd.	Maternal and child health service, sales of maternal and child products	-	3	-	-	-	-	-	-	-	-	-	Note 6

Company name	Accumulated investment from Taiwan to Mainland China at ending	Investment Board, Ministry of Economic Affairs Approved investment amount	Investment amount approved by the Investment Commission MOEAIC
Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD	$ 768,672	$ 769,143	$ 3,420,694

Note 1: There are three types of investments labeled by the respective number:

(1) Direct investment in Mainland China.

(2) Indirect investment in Mainland China through a third country (please specify the investment company in the third country)

(3)Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

Note 3: Direct investment with RMB$ 2,000,000 by Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD

Note 4: Means the purchase of 100% equity share of Pei Fung Trading (Shanghai) Company Ltd. in June 2016 was with the capital of RMB$ 1,797,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO.,LTD.

Note 5: Means the acquisition of 30% equity share of Shanghai Health Management Consulting Co., Ltd. was with RMB$ 7,200,000 by Suzhou Chung-Hwa Chemical and Pharmaceutical Industrial CO., LTD.

Note 6: Means it was set by Shanghai Health Management Consulting Co., Ltd. with capital funds collected in January 2019.

VI. In the Company and its affiliated enterprises, in the latest year until the date as of Annual Report issuance , developed an insolvency and the impact upon the Company's financial conditions: Nil.

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

I. Financial status:

Financial conditions, Table of comparative analyses

Unit: NT$ thousand

Item / Year	2017	2018	Difference	
			Amount	%
Current assets	4,723,432	5,175,775	452,343	9.58%
Property, plant, and equipment	4,042,123	3,948,268	(93,855)	(2.32%)
Intangible assets	32,369	31,899	(470)	(1.45%)
Other assets	1,478,639	1,610,360	131,721	8.91%
Total assets	10,276,563	10,766,302	489,739	4.77%
Current liabilities	2,637,037	2,867,910	230,873	8.76%
Non-current liabilities	2,035,831	2,197,235	161,404	7.93%
Total liabilities	4,672,868	5,065,145	392,277	8.39%
Capital stock	2,980,811	2,980,811	0	0.00%
Capital surplus	644,659	644,859	200	0.03%
Retained earnings	1,937,763	2,100,735	162,972	8.41%
Other equity	27,964	(27,793)	(55,757)	(199.39%)
Treasury stock	(28,054)	(28,054)	0	0.00%
Non-controlling interest	40,552	30,599	(9,953)	(24.54%)
Total equity	5,603,695	5,701,157	97,462	1.74%
Equity of the parent company	5,563,143	5,670,558	107,415	1.93%

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

Reduction to other equity from exchange rate fluctuations and financial asset valuation adjustments to result in losses.

The decrease in non-controlling interests was mainly due to the fact that it did not increase its capital to the investment company according to its shareholding ratio, so it lost control.

II. Financial performance:

(I) Comparative analyses chart for the financial performance:

Unit: NT$ thousand

Item \ Year	2017	2018	Increase (decrease)	Ratios of change %
Operating revenue	6,244,807	7,580,236	1,335,429	21.38
Operating cost	4,322,210	4,715,066	392,856	9.09
Gross profit	1,922,597	2,826,170	903,573	47.00
Operating expenses	1,645,296	2,528,728	883,432	53.69
Operating profit	277,301	336,442	59,141	21.33
Non-operating revenues and expenses	88,762	114,046	25,284	28.49
Net profit before taxation	366,063	450,488	84,425	23.06
Gain(loss) from discontinued operations	0	0	0	0.00
Current year profit of continuing business units	366,063	450,488	84,425	23.06
Income tax expenses	59,569	83,541	23,972	40.24
Net income	306,494	366,947	60,453	19.72
Other comprehensive income for the period (post-tax profit or loss)	(22,707)	(61,233)	(38,526)	(169.67)
Current period other comprehensive income (Gross)	283,787	305,714	21,927	7.73
Net income attributable to owners of the parent company	310,739	369,870	59,131	19.03
Net income attributable to non-controlling interests	(4,245)	(2,923)	1,322	31.14
Total comprehensive income attributable to owners of the parent company	287,936	308,605	20,669	7.18
Total comprehensive income attributable to non-controlling interests	(4,149)	(2,891)	1,258	(30.32)

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

Increase to the operating income, gross profit, expenditure, earnings has stemmed from subsidiary " Suzhou CCPC" being affected by change in the medical reform policy, coupled with order shift on Taiwan's pharmaceutical marketing due to using substandard API.

The increase in non-operating income and expenditure has stemmed from foreign currency exchange gains, and an increase to the affiliated enterprises' quotas as classified using the equity method.

An increase to the pre-tax net profit, the current period's net profit by ongoing operating entities, income tax expenditure primarily stems from an increase to operating income and gross profit.

Reduction to other general loss or gain stems from adjusting the benefits plan's rebalancing figure, exchange rate fluctuation and financial assets valuation adjustment to result in losses.

The total amount of net profit and general loss or gain pertains to an increase to non-controlling equity, which stems from reduction to non-controlling affiliated enterprises' deficit.

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

III. Cash flow:

Analyses on cash flow

Unit: NT$ thousand

Opening cash balance	Net cash flow coming from operating activities year-round	Cash outflow year-round	Amount of surplus (shortfall) in cash	Financing of cash deficits	
				Investment plans	Wealth management plans
763,684	152,926	321,983	594,627	—	—

(I) Analysis on the cash flow change in 2018

1. Net inflow in operating activities NT$ 152,926 thousand.
2. Net outflow in investment activities NT$ 241,757 thousand.
3. Net outflow in capital-raising activities NT$ 71,177 thousand.
4. Net outflow in exchange rate impact NT$ 9,049 thousand.

(II) Remedial measures for cash shortfall and analyses on liquidity:

1. Investment plans: Nil
2. Wealth management plans: Nil
3. Liquidity analyses:

Item / Year	2017	2018	Increase/decrease ratio %
Cash flow ratio (%)	17.53	5.33	(69.59)
Cash flow adequacy ratio (%)	62.12	59.86	(3.64)
Cash flow reinvestment ratio (%)	2.67	(0.50)	(118.73)
Description on the increase/decrease ratio change analysis: a drop has stemmed from a reduction to the operating activities' net cash inflow.			

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

Unit: NT$ thousand

Opening cash balance	Net cash flow anticipated from operating activities in year round:	Anticipated year-round cash outflow:	Expected cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Wealth management plans
594,627	375,071	391,772	577,926	None	

IV. Material capital expenditures in the latest year and impacts on business performance: Without a significant impact at all.

V. The major causes for profits or losses incurred by investments during the latest year; rectifications and investment plans for the next year: Nil.

VI. Analysis evaluation of risk issues in the latest year until the date as of Annual Report issuance:

(I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit and/or loss and the future countermeasures:

1. In 2018, company combined interest expenditure is at NT$ 37,651 thousand, up by NT$ 1,832 thousand than 2017 at NT$ 35,819 thousand, which primarily stems from an increase to financial institution loans.
2. In 2018, the consolidated gains in foreign exchange came to NT$ 4,956 thousand, accounting for 0.065% of the consolidated operating revenues in 2018. That suggests

that the change in exchange rate does not constitute a significant impact upon the Company.

3. The Company has not incurred a significant impact due to inflation.

(II) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profits or loss and the future countermeasures.

1. In 2018, the Company did not at all engage in high-risk, high-leverage investment and derivative financial instruments transaction.
2. The Company duly handled exactly in accordance with "Operating Procedures for Loaning of Funds". In 2018, the working capital actually lent to others came to NT$ 200,299 thousand, increased by NT$ 7,313 thousand when compared with 2017.
3. The Company's 2018 company external endorsement/guarantee primarily pertains to financial institution loan endorsement, and has been sought per the company's "Endorsement/Guarantee Operating Procedure" regulations, with company endorsement/guarantee maximum credit cap set to NT$ 2,835,279 thousand, and as of the end of 2018, company endorsement/guarantee balance is set at NT$ 321,000 thousand.

(III) The future research & development plans and the expenses anticipated to be invested into research & development:

At the moment, the Company is teaming up with research & development institutions at home and abroad or pharmaceutical manufacturers to launch CCPC-Academy Cooperation or concerted research programs to develop immunosuppression, lyophilized injection antibiotics, cancer oriented medicines and cardiovascular disease medicines. During the research & development process, we should conduct human trial programs at home and abroad. Such new pharmaceuticals could not be landed into markets until approved by the competent authorities in all nations concerned in charge of health affairs. In three - five years ahead, as we anticipate, we shall further invest NT$200 - 300 million budgets for research & development alone.

(IV) The possible impacts by government policies and laws at home and abroad upon the Company's financial conditions and the Company's countermeasures:

1. The impact to company finance operations: Following the induction of the national health insurance, despite the circumstances of a yearly growth in the aging population, which made the healthcare needs to rise, which in turn triggers the overall total healthcare spending; however, when faced with Central Health Insurance Administration formally inducting the second-generation health care, although proposing a major reform policy, it remains revolving around the heavy-burden of the health care financial burden issue, while the pharmaceutical industry would face another round of brand-new drug price policy's impact, which will continue to affect the company's operational expansion.
2. Response measure: focusing on the foresaid hidden disadvantageous factor, and in response to the aging population, the company would focus on operating in the high growth treatment domain, by fully expanding into development competitive new products and also embracing on medical support products, health foods, healthcare foods, personal care, beauty whitening and related high value-added products not classified for national insurance payout, through which to excel its market competitiveness, rally foreign production representation for increasing its revenue and productivity.

(V) The impacts generated by change in science and technology and change in industries upon the Company's financial conditions and the Company's countermeasures:

The Company manufactures and markets pharmaceuticals and biotechnology products.

The constant updates of science and technology and the change in industries might yield extensive chances and new merchandise. In 2018, the Company's inventory turnover rate was 2.46 times, suggesting that the Company operated at a sound ambiance free of a significant financial impact.

(VI) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures:

Continually without an interruption, the Company has tried by all available means to render medical treatment and health-care services though the sound CCPC corporate image. So far never have we heard the negative reports against the very sound CCPC corporate image.

(VII) The benefits anticipated from the merger/acquisition (M&A) efforts, the potential risks and the Company's countermeasures: Such fact is nonexistent in the Company.

(VIII) The risks anticipated from the expansion of the plant buildings, and the Company's countermeasures: Such fact is nonexistent in the Company.

(IX) The risks anticipated from the centralized input or output undertakings and the Company's countermeasures: Such fact is nonexistent in the Company.

(X) The impacts and risks anticipated from the massive transfer of shareholding by directors or key shareholders who hold more than 10% in shareholding and the Company's countermeasures: Such fact is nonexistent in the Company.

(XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures: Such fact is nonexistent in the Company.

(XII) Litigious and non-litigious events: (Expressed in NT$ Thousand)

1. The company has in March 2016 received a Taipei District Court Civil Court notice, notifying the Securities Investor and Futures Traders Protection Center (hereinafter referred to as the Investors Protection Center) seeking the court to dismiss company chairman's director position, for dismissing the appointment relation between the company and its chairman, thus the Investors Protection Center has also enlisted the company as the joint defendant, to which the company has appointed its legal counsel to conduct counter the argument, whereof the Taipei District Court has in December 2016 overruled the Investor Protection Center's suit, and following the Investors Protection Center pressing an appeal with the Taipei High Court, the Taipei High Court has in October 2018 rendered a judgment awarding the company with a defeat suit, and following the company and company chairman pressing an appeal, the Supreme court has on January 9, 2019 overruled the appeal that has been confirmed, except with the company having had an across the board re-election of its directors and independent directors before the November 14, 2018 shareholders' meeting, thus the case judgment and confirmation do not affect the incumbent directors' fiduciary duties as voted before the November 14, 2018 shareholders' meeting.
2. The company has in September 2017 received from TSH Biopharm pressing a patent infringement and breach of Fair Trade Act litigation and also seeking a $5,000 compensation, which the company has duly evaluated to be free of any circumstance of what it cited as breach of the Patent Law and Fair Trade Act, while the Intellectual Property Court has in July 2018 overruled Tsh Biopharm's suit, and following Tsh Biopharm pressing appeal with Intellectual Property Court in August 2018, the company has retained legal counsel to conduct counterargument.

(XIII) Other critical risks and response measures:

- Information security risk incident

Some of TSMC's servers were infected by malware WannaCry, a mutative virus infection, crippling the work, which resulted in a major shutdown of production lines across Taiwan. The incident stems from the new servers' software installation process that has not been done per the SOP, coupled with new servers linking the company's internal company network to results in the virus spreading, causing a large number of plants and production lines to suffer work suspension resulting in late delivery and enormous amounts of losses.

- CCPC's information security risk response strategy

  As CCPC production line servers are not connected to the network, the risk of virus infection to result in server crash incident across the plants in Taiwan is relatively lower, while each desktop computer and NB in company offices have had antivirus software installed, The company has installed on its own a VPN server on its internal network across Taiwan, where each is protected by their own firewall, to effectively curtail the risk of virus spreading between plants across Taiwan. Since WannaCry seizing Microsoft operating system's SMBv1/SMBv2 (Server Message Block) loopholes, and also adopting hacker organization-disclosed National Security Agency's hacking tool EternalBlue, as a result it can actively infect other Windows computers with SMB loophole, for which Microsoft has already supplied relevant security remedy program, and since the company has installed relevant repair programs for each computer, it has not encountered any critical information security incident caused by the WannaCry virus.

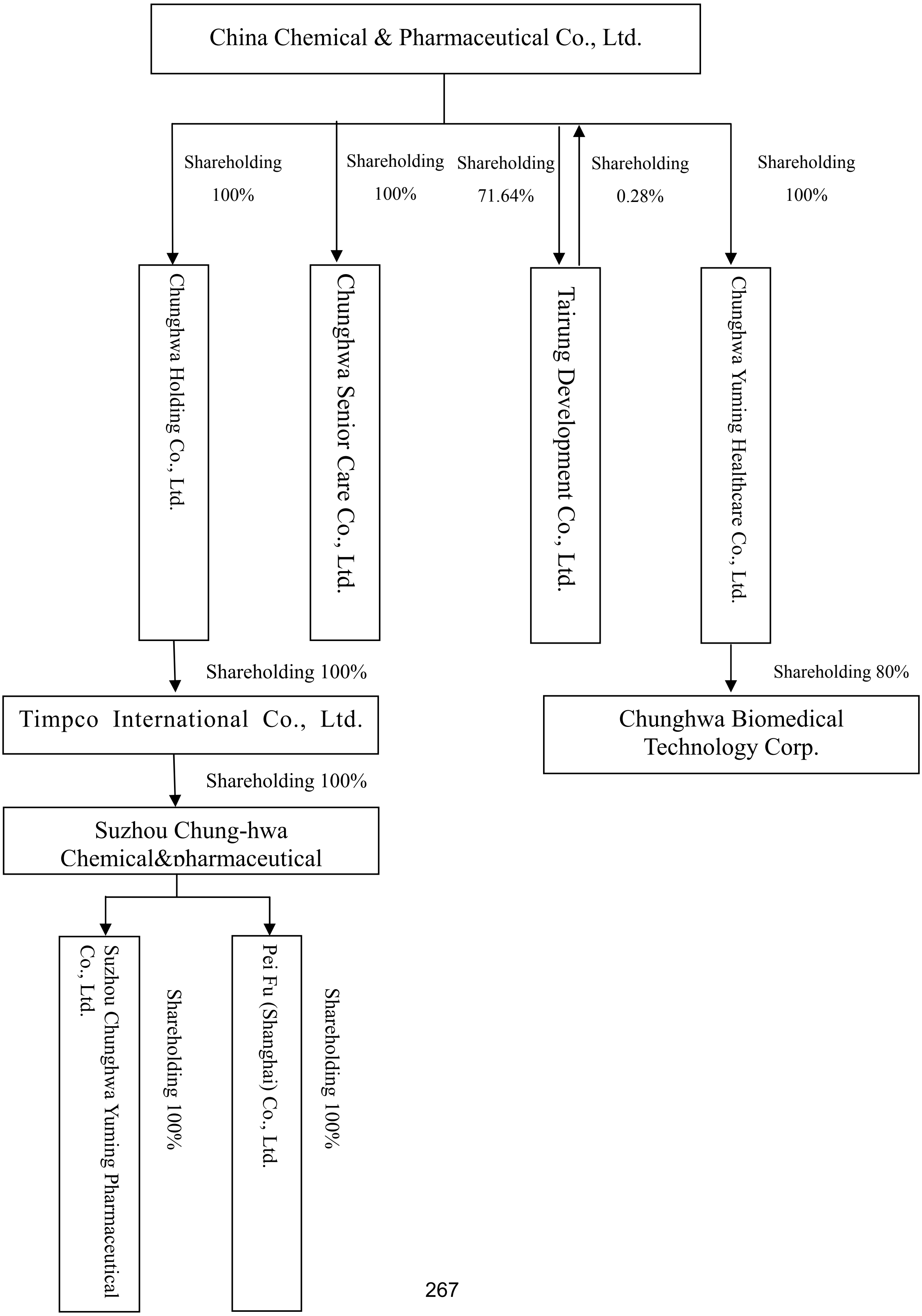
VII. Other important disclosures: None.

Eight. Special remarks

I. Relevant information of affiliated enterprises:

(I) Consolidated business reports teaming up with affiliated enterprises

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



2. Fundamental particulars of affiliated enterprises

Unit: NT$ thousand

Name of enterprise	Date of foundation	Address	Paid-in shares Capital	Main business activities or products
Chunghwa Yuming Healthcare Co., Ltd.	2000.01.17	8F., No. 23, Xiangyang Rd., Zhongzheng Dist., Taipei City	295,900	Wholesale and retail sales of Western medicines, medical apparatus and instruments
Tairung Development Co., Ltd.	1968.09.25	8F., No. 23, Xiangyang Rd., Zhongzheng Dist., Taipei City	61,080	Manufacture and sales of glass, plastics made containers
Chunghwa Senior Care Co., Ltd.	2005.12.09	10F., No. 23, Xiangyang Rd., Zhongzheng Dist., Taipei City	50,000	Wholesale of Western medicines, medical apparatus and instruments
Chunghwa Holding Co., Ltd	2011.10.04	Harbour Place, 103 South Church Street, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands	444,850	Investment holding
Timpco International Co., Ltd.	1993.08	Equitor House Tutakimoa Road , Rarotonga , Cook Islands	801,701	Investment holding
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	1994.05	No. 66 Yungan Road, Gaoxin District, Suzhou City, Jiansu Province, China	755,151	Manufacture and sales of Western medicine preparations and health-care articles.
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	2014.10.30	No. 66 Yungan Road, Gaoxin District, Suzhou City, Jiansu Province, China	10,203	Wholesales of traditional Chinese patent medicines, chemical pharmaceuticals, chemical bulk pharmaceutical chemicals (BPC) and the like.
Pei Fu (Shanghai) Co., Ltd.	2011.08.05	Room 1605, No. 777 Hongqiao Road, Xuhui District, Shanghai City, China	182,790	Business management in medical treatment apparatuses and sales of cosmetics.
Chunghwa Biomedical Technology Corp.	2017.05.05	No. 3 Jian 3rd Road, Guanin District, Taoyuan City	20,000	Manufacture and wholesales of detergent articles, cosmetics.

3. Where presumed to be in control and affiliate relationship, the data of same shareholders: Not applicable
4. The business lines covered by the overall affiliated enterprises for the business lines:

   The business lines covered in overall affiliated enterprises include:

   (1) Principal business lines: Manufacture

   (2) General investment businesses.

   (3) Biotechnical businesses.

   (4) Other business lines: Leasehold, wholesale and retail businesses

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

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

December 31, 2018 Unit: shares %

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Ratio of Shareholding
Chunghwa Yuming Healthcare Co., Ltd.	Chairman	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hsun-Sheng	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Li, Tsung-Yung	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Wu, Chih-Yung	29,590,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Tsai, Kuo-Chang	29,590,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Chao, Te-Feng	29,590,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, I-Chun	29,590,000	100.00
	President	Sun, Yin-Nan	0	0
Tairung Development Co., Ltd.	Chairman	Wang, Hsun-Sheng	1	0.02
	Director	Wang, Hsun-Hui	609	9.97
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	4,376	71.64
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Huang, I-Chun	4,376	71.64
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Cheng, Tai-Yuan	4,376	71.64
	Supervisor	Chao, Te-Feng	151	2.47
	President	Wang, Hsun-Sheng	1	0.02
Chunghwa Senior Care Co., Ltd.	Chairman	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hsun-Sheng	5,000,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Sun, Yin-Nan	5,000,000	100.00
	Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Li, Tsung-Yung	5,000,000	100.00
	Supervisor	China Chemical & Pharmaceutical Co., Ltd. Representative: Chao, Te-Feng	5,000,000	100.00
	President	Li, Tsung-Yung	0	0

Name of enterprise	Title	Name or the representative person	Shares held	
			Quantity	Ratio of Shareholding
Chunghwa Holding Co., Ltd.	Director	Wang, Hsun-Hui	0	0
Timpco International Co., Ltd.	Director	Wang, Hsun-Hui	0	0
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	Chairman	Wang, Hsun-Hui	0	0
	Director	Wang, Hsun-Sheng	0	0
	Director	Sun, Yin-Nan	0	0
	Director	Chao, Te-Feng	0	0
	Director	Kuo Chung-Tai	0	0
	Director	Huang, I-Chun	0	0
	Director	Sun Hua	0	0
	Supervisor	Wang Hsieh Cheng-Ching	0	0
Suzhou Chunghwa Yuming Pharmaceutical Co., Ltd.	Executive Director	Wang, Hsun-Hui	0	0
	President	Wang, Hsun-Hui	0	0
	Supervisor	Sun Wen-Lung	0	0
Pei Fu (Shanghai) Co., Ltd.	Executive Director	Wang Hou-Chieh	0	0
	President	Wang Hou-Chieh	0	0
	Supervisor	Shen Ta-Hai	0	0
Chunghwa Biomedical Technology Corp.	Chairman	Chunghwa Yuming Healthcare Co., Ltd. Representative: Sun, Yin-Nan	1,600,000	80.00
	Director	Chunghwa Yuming Healthcare Co., Ltd. Representative: Hsu, Huo-Shu	1,600,000	80.00
	Director	Hong Yueh-Yung	350,000	17.50
	Supervisor	Huang, I-Chun	0	0
	Supervisor	Hu Hui-Lan	0	0

6. Business performances of the affiliated enterprises in summary

Unit: NT$ thousand

Name of enterprise	Paid-in shares Capital	Total assets	Total liabilities	Net value	Operating revenue - net	Operating profit	Profit and/or loss this term (After tax)	Earnings per share (NT$) (After tax)
Chunghwa Yuming Healthcare Co., Ltd.	295,900	2,017,511	1,506,377	511,134	3,314,206	41,150	24,442	0.83
Tairung Development Co., Ltd.	61,080	195,483	98,953	96,530	118,248	263	627	102.65
Chunghwa Senior Care Co., Ltd.	50,000	16,301	13,807	2,494	32,539	(9,147)	(9,632)	(1.93)
Chunghwa Holding Co., Ltd.	444,850	1,157,711	0	1,157,711	0	(188)	35,517	0.80
Timpco International Co., Ltd.	801,701	1,157,491	16	1,157,475	0	(65)	35,657	2.17
Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.	755,151	2,001,837	844,126	1,157,711	2,530,966	14,148	35,517	-
Chunghwa Biomedical Technology Corp.	20,000	35,541	21,958	13,583	68,181	(1,570)	(1,575)	(0.79)

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

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

In 2018 (the entire period starting from January 1, 2018 to December 31, 2018), the parent company and subsidiaries which the Company shall, exactly in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", work out consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) No. 10 are exactly the same. Those information of the parent company and subsidiaries having been disclosed through the consolidated financial statements of the parent company and subsidiaries. The consolidated financial statements of the affiliated enterprises are, therefore, no longer worked out once more.

Hereby declare

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

Representative: Wang, Hsun-Sheng

March 26, 2019

II. Private placement of securities during the latest year up till the publication date of this annual report: None.

III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other supplementary information: None.

V. Occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

China Chemical & Pharmaceutica

Chairman: Wang, Hsun-Sheng